Manufacturing

IDC concentrates on lower production costs

by Allan Parker

THE controversial industry studies programme launched by the Government in its 1979 Budget has now produced a raft of recommendations for the restructuring and development of nine major or minor industries.

The recent publication of a draft report into the plastics industry by the Industries Development Commission moves the initial series of studies (plus two additional: tyres and tobacco) closer to completion.

The passage of these studies has been far from smooth. The textile industry report and recommendations, for instance, brought forth cries of outrage from trade unions and some of the industry sectors most likely to be affected.

Then there were the embarrassing leaks of draft reports by government department teams into, among other things, the sensitive motor vehicle industry.

Debate over the reports completed so far by the commission have thus centred on the individual industries concerned. Understandably, too, individual companies and sectors have concentrated their interest on the report that most concerned them.

But many companies have failed to understand the broad approach being adopted by the commission — its philosophy on the restructuring issue and how it sees the different industry sectors fitting in.

The question is not insignificant. By the time the current raft of 13 studies has been completed, the IDC will have put industries employing up to 90,000 New Zealanders under its microscope — about a third of the manufacturing workforce.

The total turnover of these industries is estimated to be between $2500 million and $3000 million. And while some of the industry studies like ship-building have had a relatively small flow-on effect, others have a major influence on the economy. The textile industry, for example, represents some 10 per cent of the Consumer Price Index.

The commission itself realises that the common threads running through the studies programme may not be easily recognised.

Largely, chairman Ted Tarrant told *NBR*, this is because each industry operates from different bases and exhibits different problems; at least superficially.

So the IDC view of development options for one industry may well appear completely different to another.

But the common approach will, nonetheless, be there, said Tarrant.

Central to the IDC attitude is the desire to seek lower manufacturing costs.

"The whole manufacturing sector, we believe, should be encouraged to settle at a lower level of costs — not profits," said Tarrant. A reduction in costs, leading to lower prices, is better in the IDC's view than regulatory intervention in the form of frontier protection.

The purpose of this market-forces approach is threefold. Lower costs, argues Tarrant, will:

• Provide a better base for competitive manufactured exports;

• Lower costs to the New Zealand consumer and help hold the local market in face of increased import competition;

• Extract the maximum benefit from a closer economic relationship with Australia by helping exports to stay competitive in that market and increase the hold on the domestic market against Australian competition.

An examination of three industries investigated by the commission (textiles, plastics and wine) reveals how the central aim — lower cost — is achieved by following different courses.

Difficulties in devising a long-term development plan for the textile industry containing the lower-costs proviso centred on the cumulative disadvantages built into the industry.

Essentially, the industry suffered from a high-cost, local input-output sequence. The chain started with high-priced yarn, with the local product receiving considerable protection.

From that first stage, the sequence then followed through the processing, knitting and apparel-making stages, accumulating higher costs all the way.

"By the time it got to the apparel maker, he was under a disadvantage before he even began production of shirts or skirts," said Tarrant.

Previous attempts to reduce the local disadvantage concentrated on protection down the chain. But by lowering local costs rather than increasing imported costs, the end result was a final stage with cheaper costs without reducing profit margins.

Plastics presented a different problem in that all raw materials were imported at world prices. There was, thus, no disability built into the industry from the initial raw material stage.

The comparative disadvantage — and protection — falls at the intermediate stage, when the raw imported resin is transformed into sheets and film.

But, as the IDC's draft report into the plastics industry noted: "The complete lack of comparable imports frustrates any attempt to measure the relationship between prices of domestic products and prices of imported equivalents".

For that reason, the IDC recommended a two-year testing period to discover what would be imported over the duty rates and by whom; what products would not need licence protection as well as tariff protection; where products might come from; and consumer or user reaction to a wider range of products.

This "cautious liberalisation" over a two-year testing period is designed to discover the potential for reducing costs.

The wine industry posed yet another problem. Unlike plastics, for example, the imported content in New Zealand is very low, less than 10 per cent compared to the plastics industry's 80 per cent.

The industry, in the IDC's view, was caught in a classic "Catch 22" situation: to become more competitive in both domestic and international markets it needed to become bigger, but to become bigger it needed to become more competitive.

At the production level, New Zealand winemakers can virtually match Australia; Australia has cheaper grapes but less efficient production methods, New Zealand is the reverse.

Thus, the IDC attacked the distribution structure of the industry in its recommendations to reduce the price to the consumer and encourage more production at a more competitive level. It also recommended reduced protection at the lower end of the price range and increased protection at the top end — "a tilt of the protective umbrella", as Tarrant described it.

The three examples above illustrate, albeit simplistically, the different approaches adopted by the commission. But those approaches were made because of the different nature of each industry; the common theme remained steady throughout.

Tarrant recognises that the commission has a difficult role to play. While it tries to apply its philosophies without significant damage to a significant part of an industry, there will still be losers.

"We also get a lot of short-term flak from companies that may be affected by our recommendations."

He recognises, too, that the commission is caught between the devil and the deep blue sea. It must try to protect the individual, but also consider the national interest.

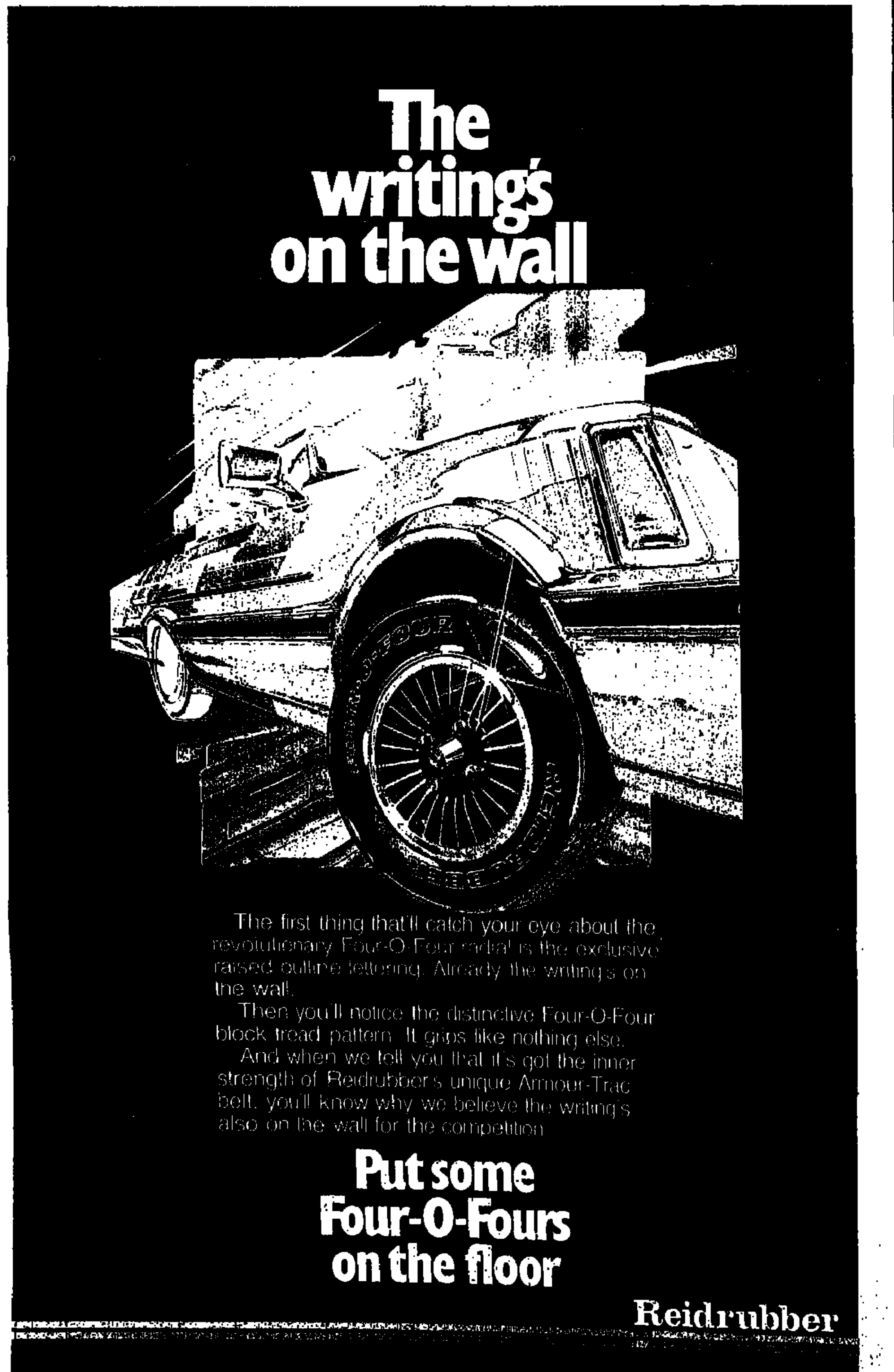
The governing act of the commission specifically charges it with the interest of the consumer. It is a function Tarrant takes seriously.

"That is why we recommend putting pressure on prices rather than profits or otherwise," he told *NBR*.

"It does not affect a company's costs or profits, but it reduces the cost to the consumer as well as increasing international competitiveness."

To a certain extent, the lack of industry awareness about the IDC's motives in individual reports is understandable with each report superficially differing widely from others in its approach and recommendations.

But Tarrant remains disappointed at the lack of general public awareness about its role in the restructuring now being encouraged by the Government. The Cabinet Economic Committee is understood to be well aware of the broad rationale behind the IDC recommendations, but elsewhere there seems, in the commission's view, a too-eager readiness to attack the specifics rather than understand the broad concept.



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NATIONAL BUSINESS REVIEW

Incorporating Admark

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New manager falls foul of DB old hands

GENERAL manager designate of Dominion Breweries, Stan Pritchard, will not be confirmed as general manager and is expected to announce his resignation shortly.

The decision by the DB board not to appoint Pritchard as the deputy to managing-director Sir Henry Kelliher has provoked some staff unrest, especially at the level of middle management.

It is understood that incompatability between Pritchard on the one hand and Sir Henry and several other members of senior management who have been with the company for many years on the other is the reason the board came down against the new man.

Pritchard was appointed general manager designate last year. He was then Auckland area manager for Dalgetys.

He was due to take up the job on August 1 1980, but moved in a few weeks earlier because of the death in office of the then general manager, Warren Williams.

Pritchard represented the first infusion of new blood into the company at senior level for many years and his brief was to visit all the company's nationwide operations, meet the staff and dedicate himself to learning about the company and the trade.

His appointment as general manager was due from April 1.

Sir Henry, the founder of the company 52 years ago, was last year appointed founder president for life, resigned as chairman of the board but retained the post of managing-director even though he is now well into his 80s.

It was expected that Pritchard would succeed Sir Henry on his retirement but no retirement date was given.

Sir Henry's successor as chairman of the board, well known professional director Graham Callam, was overseas and not available for comment last week.

Ron Brierley, picked up about 20 per cent of the DB shareholding over the past few weeks, was in Australia at the end of last week but is understood to be sympathetic to Pritchard as a manager with a modern approach. But he has no influence at board level yet.

The only way Brierley could gain a board seat before the annual general meeting of DB in August would be at the invitation of the present board — a consummation dismissed as most improbable by company observers.

There is even a suggestion that Brierley will need to work hard to muster enough proxies to get himself a seat at the annual meeting.

Although Sir Henry is nowhere near a controlling shareholder of the second biggest brewing company in the country, he automatically has for many years been awarded a huge number of proxies by other shareholders.

Some middle management staff have claimed that Pritchard's ability to communicate among staff has raised morale during the past six months and claim that many at middle management and below will miss his influence.

Existing management can point to a steady growth in recent years in the company's share of the packaged beer market at the expense of competitors on a declining overall beer market.

But the company has virtually given away by default any share of the rapidly growing fast-foods market dominated at the hotel and tavern level by arch-rivals Lion Breweries.

Jones trio: Nats bank on $1.2m

by Klaus Sorensen

THE National Party appears to be pinning its hopes on the "Jones Boys" $100-a-plate speaking tour to overhaul its finances.

An apparently slow flow of funds from party branches has been exacerbated by problems with the party's new $3 million ten-story headquarters in Wellington.

Though completed for almost a year, three of the nine floors of office space are still empty, and the building is almost certainly acting as a drain on the party coffers.

With the election campaign budget thought to require close to $1 million, the party has settled on the after-dinner speaking circuit plan to come up with some quick cash.

The party hopes to gross a staggering $1.2 million from the planned 45 meetings.

The three Jones, property millionaire Bob, and MPs Dail and Norman, will blitz the country over the next couple of months, according to the scheme's project director, Lower Hutt bookseller and party dominion councillor, John Schnellenberg.

Schnellenberg told *NBR* last week the party was hoping for 300 people to attend each meeting.

They will continue till the end of July and at times the three men will be speaking at up to five dinner dates a week.

Total attendance at the 45 meetings works out at 13,500 people and at $100 single and $180 double, the gross take from each one would be around $28,000 — making a grand total of $1.2 million.

Schnellenberg estimated catering and associated costs will take between a quarter and one third of the total take, but that would still leave the party some $800,000. But is this an attempt by the party to shore up its finances?

"No there's no truth in that," says Schnellenberg.

But he agreed with *NBR*'s suggestion that the revenue would provide a "substantial shot in the arm" for the party finances.

The money would be applied to various party funding and not just for the election, though "running parties and elections is a very expensive business".

But it seems the party is also finding commercial property development expensive.

Up until three months ago, when National Party advertising account holders Dobbs Wiggins McCann Erickson took up the lease on two floors of the building, there were five untenanted floors.

Fully let, the 27,963 square feet of office space should return the party around $188,000 a year from the $6.75 per square foot rental.

But for most of last year the party would have received only half that figure from office rentals.

In the last year, the three unlet floors would have left the party down around $67,000 in terms of rental income.

Three real estate agents have their signs up in the windows of the unlet floors, and spokesmen for two of them told *NBR* that as far as they knew one of the floors was under consideration by a potential tenant, while the other two were still unlet.

But party general director Barrie Leay denied three floors were currently unlet when *NBR* spoke to him last week. "All floors are currently under negotiation," he said.

He said he was confident the whole building would be let, and denied a suggestion that the building had been slow to fill up because it is not fully serviced.

Unlike the many fully carpeted and airconditioned office buildings being constructed in Wellington at present, the National Party building features opening windows and bare floors.

"It's a high class building and the tenants are not deterred by that." Leay told *NBR*.

Asked if the party had paid for the $3 million all-up cost of the building or whether some finance had been used, Leay replied "that's our business".

But even if the party has fronted with two-thirds of the cost, financing charges on the remaining $1 million would almost wipe the income from the office rentals.

But Leay denied any financial strain on party finances. Asked if he was satisfied with the inflow of campaign funds, he replied "yes".

Accountants sued

SECURITIBANK liquidator Harold Goodman is sueing the now defunct merchant bank's accountants, Barr Burgess and Stewart for negligence and is claiming $13.5 million damages.

PALMERSTON North's Labour MP, Joe Walding, surprised his party by deciding not to contest the November election.

AMERICAN Republican senators sponsored by the dairy industry are determined to halve casein imports against President Reagan's wish, threatening New Zealand's $67 million exports.

BUT in Japan there was temporary relief for the Dairy Board. The government indicated it had dropped proposals for a 10,000 tonne cheese factory but farmers are expected to continue their campaign for it. That was good news. As the board waits for the bad, "an invitation" to voluntarily cut edible fat exports, a $20 million trade.

AN independent arbitrator ordered the Government to pay Maui Developments Ltd $7 million plus interest for failing to meet the take or pay requirements caused by the delays to the commissioning of the Huntly power station.

RAIL fares and freight charges will rise 20 per cent as a $100 million loss is predicted for the financial year now ending.

PROPERTY developer and son in law of Agriculture Minister Duncan MacIntyre, Jim Fitzgerald, went on trial in the Wellington High Court allegedly for failing to list all his property when applying for a $106,000 Marginal Lands Board loan.

The business week

Australian Paper Manufacturers Ltd are offering **Containers Ltd** shareholders either three APM shares plus $4 cash for every two shares or $5 cash for each Containers' share. Preference shareholders are being offered $5 a share.

Henry Berry Ltd has received 98 per cent acceptance of its takeover bid for **Hylin Holdings Ltd.**

Brierley Investments Ltd said it had acquired a 20 per cent stake in **Dominion Breweries Ltd.**

Broadbank Ltd's subsidiary **Springfield Holdings Ltd** has sold its 30 per cent stake in **Dalhoff & King Holdings Ltd** to the Scott Group Ltd for $1.25 million with a small parcel being sold to Dalhoff and King's managing director, Ken King.

Command Services Corporation Ltd unaudited net profit for 40 weeks to January 5 was $690,000 (last year $1,022,000). A final dividend of 3 cents will be paid on May 13.

Canterbury Frozen Meat Co Ltd, subject to Commerce Commission approval, will buy Christchurch meat packer **B R Shackel Ltd.**

Cooks NZ Wine Co Ltd unaudited net profit for six months to December 31 was $289,876 (last year $521,916). An interim dividend of 2½ cents will be paid on April 8.

David Jones Ltd unaudited net profit for six months to January 24 was $A24,274,000 (last year $A5,451,000). An interim dividend of 5 cents will be paid on May 6.

M O'Brien & Co Ltd unaudited net profit for six months to December 31 was $21,228 (last year $117,725). An interim dividend of 2.5 cents will be paid on May 1.

Odlins Ltd will issue a $1 unsecured 15 per cent, convertible note for every six shares held converting on February 28 1986 into our ordinary 50 cents shares for every three notes held. The offer is non renounceable and will raise $6.75 million.

Pavroc Holdings Ltd's directors, with the exception of one, are recommending acceptance of **Fulton Hogan Holdings Ltd's** takeover offer.

Printing and Packaging Corporation Ltd unaudited net profit for six months to December 31 was $1,252,000 (last year $1,451,000). An interim dividend of 6 cents will be paid on April 24.

Christchurch liquor wholesalers **Quill Morris Ltd** and **Fletcher Humphreys Ltd** — a Ballins associated company — are to merge with an exchange of shares.

Radio Otago Ltd unaudited net profit for the year ended November 30 was $40,80[illegible] (last year $79,449). A final dividend of 12½ per cent will be paid on May 12.

An unnamed buyer is bidding for a 20 per cent stake in **Spedding Consolidated Ltd,** offering 72 cents a share.

Vacation Hotels Ltd rejected Saudi Arabian millionaire Adnan Khashoggi's bid for Fletcher Challenge's 51 per cent stake in the company through his company **Southern Pacific Properties Ltd.**

Westinghouse Electric Corporation has settled out of court its anti-trust suit filed in Chicago against **CRA Ltd, Mary Kathleen Uranium Ltd, Pancontinental Mining Ltd, Rio Tinto Zinc Corporation Ltd, Anglo American Corporation of South Africa (Pty) Ltd, Denison Mines Ltd** and **Noranda Mines Ltd.**

Wormald International NZ Ltd unaudited net profit for six months to December 31 was $476,000 (last year $469,000). An interim dividend of 6 cents will be paid on March 26.

The week ahead

Monday: Forest Research Industry conference, Rotorua, till Friday.

Two day workshop on financial Analysis for Decision Making, Auckland.

Orthopedic Association fifth combined conference with the Australian association, Auckland, till Thursday.

Tuesday: Coal Research Association seminar, Wellington until Wednesday.

Red Cross conference, Napier till Thursday.

World Angus breeders forum, Christchurch till March 28.

Thursday: Meat Exporters Association conference, Rotorua.

Friday: Cadbury sales representative conference, Rotorua.

Economic indicators

INDUSTRIAL stoppages lost 263,592 working days in 332 disputes in the 11 months to November 30.

MONEY supply (M1) leapt in the year ended January 11.6 per cent, up from the 4.7 cent growth in the year ended December. However overall liquidity (M3) climbed only one point from 12.5 to 12.6 per cent the Reserve Bank's measure of public sector credit growth went up two points to 18.7 per cent.

FOUR hundred and eleven new companies were registered in February (415 in February 1980) including three overseas firms (1).

PRIME interest rates in the United States eased by 0.5 per cent to 17.5 per cent.

Twenty two (18) appoint[ed] receivers while 15 (9) ceas[ed] operating.

RETAIL sales were 1[illegible] per cent up in January 1981 over January 1980 [illegible] $624.9 million and 1 per cent [illegible] on December 1980.

At February 28 there were 115,397 (112,495) companies registered including 683 ([illegible]) overseas companies.

Courts ordered the winding up of 24 firms (35) and 26 ([illegible]) went into voluntary liquidation.

THE national dole queue lengthened by 471 beneficiaries between February 20 and March 6, to 34,183.

IMPORTERS ordered 4.2 per cent less in January than in December at $147 million. [illegible] orders rose, to $720 million for the six months ended January 31 compared with $656 million for the previous six months.

THE economy, as measured by gross domestic product, [illegible] growing. In the year to March 31 1980 it increased 1.2 per cent.

WAGES as measured by the nominal weekly wage rate index rose 17.8 per cent in the year ended December 1980.

Three hundred and [illegible] one companies (192) were dissolved or struck off the register including one (8) overseas company.

Viewdata — go-ahead, as planned, is likely

by Stephen Bell

THE Government's final decision on viewdata, due in the next few weeks, looks like being "no change" from the conclusions expressed in the report issued by the Communications Advisory Council last year.

This will mean the go-ahead for privately-run viewdata networks on a trial basis with the Post Office assuming the minimal role of operating a passive viewdata "switch", linking the private operators' computers into the telephone network.

As a matter of form, the Government will have to wait for the completion of the CAC's second viewdata report. This was commissioned last year to give more opportunity for public input, after widespread criticism of the one-week period allowed for public submissions in formulating the first report.

The two-stage process has also given the Government a valuable breathing space to sort out its own attitudes to a new and confusing technology.

The second report is likely to emerge in a week or two, but the word from informed sources is that nothing significantly new has emerged in later submissions.

The Government must already be aware of this, so progress through formal approval by the Cabinet Committee on Communications and full Cabinet is likely to be swift.

Once final clearance has been given, it will still be a matter of three to six months before the Post Office has the necessary equipment set up, and a similar interval is likely before aspiring viewdata operators have the customers and information providers to make the service worthwhile.

Only two concerns have so far expressed interest in operating a viewdata service: NZ Videotex Systems, set up by Computer Consultants' publishing subsidiary, Fourth Estate, and the rival consortium involving CBL and several newspaper groups.

Both consortia have strengthened their organisations ready for the Government go-ahead.

Fourth Estate has appointed Steve Underwood as full-time manager of VSL; CBL has appointed Rosemary Smith as manager of a new information systems division, which will embrace the company's viewdata activity, among other fields.

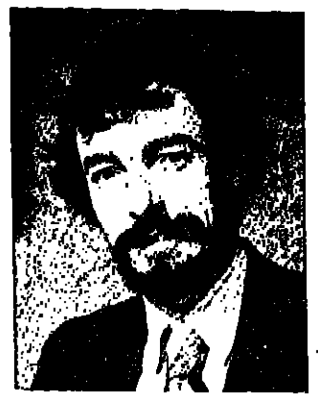
Smith was previously manager of UEB's information service, Bispac.

VSL already has demonstration files up and running, said Fourth Estate managing director Reg Birchfield. Given a prompt Government go-ahead, the company could have a full service going "the day the Post Office provides the switching facility," he said.

That will probably be about July.

CBL director Paul Hargreaves optimistically sees start-up of his consortium's system as "a few weeks" after the Post Office equipment is set up.

Television manufacturers meanwhile are considering their strategies for import or manufacture of viewdata terminals; but they admit that much depends on two imponderables: the degree of demand for viewdata and the likely Customs classification of imported equipment.



Steve Underwood . . . in charge

Thorn, with its link to the Fourth Estate consortium, and Allied Industries, on the CBL side, seem assured of a large proportion of the market.

Thorn stands "well prepared" to move into producing the terminals with a high degree of local manufacture, said technical manager John Williams; colour television sets suitable for adaptation are already being manufactured locally.

Some importing of circuitry might prove necessary to bridge the gap while gearing up for local manufacture, said Williams. Thorn's British parent company is deeply involved in the manufacture of viewdata terminals.

Philips sees itself as capturing a relatively small proportion of the viewdata market, but is still "doing its homework" on the potential for viewdata locally.

The low volume would probably mean the company would be committed to importing viewdata circuitry initially, at least, said spokesman Dave Clist.

But research in the parent company has produced a new integrated circuit "chip".

Codenamed "Lucy", it reduces the circuitry for the viewdata interface from 30 integrated circuits to four, with a corresponding "quantum leap downwards" in cost, said Clist.

But the economics of import versus local manufacture depends a good deal on how viewdata equipment is classified by Customs, Clist said.

As telephonic equipment, import tariffs are low; a 40 per cent duty on such equipment has just been removed, although 20 per cent sales tax and import licensing restrictions still apply.

If it were classified as computer hardware, viewdata equipment would attract a 40 per cent sales tax, but no duty.

Considered as part of the television equipment, it would attract 65 per cent duty and 30 per cent sales tax. As a fourth option, Government could decide to creat a special category for viewdata hardware, with its own duty and tax rates.

These options were raised in the first-stage CAC report and may be clarified in the second document.

Manufacturers ready to tackle IDC head-on

by Allan Parker

THE Industries Development Commission is bracing itself for a major attack from the country's manufacturers.

In a public hearing tomorrow, the Manufacturers Federation will accuse the IDC of ignoring the degree of restructuring the sector has already undergone without IDC recommendations for further change.

Unless the commission withdraws its general approach to development plans, the manufacturers warn, there will be a "serious" breakdown in diplomatic relations between the two bodies.

At issue is the general economic philosophy the IDC uses in assessing the development of particular sections of industry. This philosophy essentially centres on a "market forces" concept and the commission published a critique justifying its use in the recently released draft report into the plastics industry.

At tomorrow's public hearing in Wellington, the manufacturers will register their "strong" opposition to the market forces approach.

And the association will threaten: "Unless the theorising contained in that approach is withdrawn there will in future be a serious impediment to constructive discussion between the NZMF and IDC."

In particular, argue the manufacturers, "the report is not sufficiently aware of the degree to which industry in New Zealand has already been restructured in response to both market forces and Government policy".

It cites higher export growth, improved productivity, export incentives and Government alterations to the import licensing system in the 1979 Budget as "strong signals" that have produced an "extremely positive" response from the sector.

Accusing the commission of an undue preoccupation with protection at the frontier, the manufacturers suggest more attention should be paid to internal inefficiencies within the service sectors of the economy.

Any attempts by the commission to dismantle or reduce import licensing restrictions are fiercely opposed by the manufacturers.

"Federation policy is that protection of New Zealand industry must be effected by an appropriate mix of quantitative controls and tariffs. It sees import licensing, in current and foreseeable economic circumstances, as the primary element of protection for most of our industries."

The federation maintains that a slow and cautious approach to changes in the licensing system is best.

The week

Tax doubts over partner in second smelter

by Ann Taylor and Frank Rees

AS the Aramoana aluminium smelter moves toward the environmental impact report stage, trouble has brewed between Australian tax authorities and Alusuisse, one of the parties to the South Pacific Aluminium consortium.

Alusuisse appears to have paid negligible taxation in Australia over the last eight years. Despite a total trading surplus of $122.65 for that period the company paid only $2000 tax in the 1979 year.

According to reports in the *Australian Financial Review*, Gove Alumina — which holds the remaining 30 per cent shareholding — has reguarly paid tax, a total of $5.72 million, on its pre-tax earnings of $11.1 million.

Currency losses, very high depreciation and interest charges are posing a tangle that Australian tax officials are still trying to clarify.

The Icelandic Government alleges that Alusuisse withheld a total of $US47.5 million profits over a seven-year period.

Alusuisse sold alumina to the Icelandic smelter from Gove at prices which the Icelandic Government claims were excessive.

The price of alumina imported there was much greater than the export price from Australia — 54.1 per cent greater over the period — totalling $US47.5 million.

The Australian Government already has plans to introduce a new catch-all tax-avoidance clause into the Federal Income Assessment Act.

A controversial High Court decision last year cast doubt on the right of the Australian Tax Commissioner to decide how much tax foreign-controlled companies should pay on goods they sell to other companies they control in other parts of the world, where they are taxed at a lower rate.

The High Court case concerned a wholly owned subsidiary of Comalco, which set up a company in Hong Kong. The Australian company, the Commonwealth Aluminium Corporation, sold bauxite at 33 shillings a tonne to this Hong Kong company, which in turn resold it to Japan at 40 shillings a tonne.

What Comalco was doing, through its Australian subsidiary, was mining bauxite and selling it to the Japanese, so that the bauxite was being shipped direct to Japan.

As became apparent in the High Court case, however, it was being sold through the Hong Kong company because the Hong Kong taxation rates are much lower than Australian, and the main intention of the dealing was to reduce taxation.

The Taxation Commissioner's case rested on the discrepancy between the price of the bauxite sold to the Hong Kong company, and that resold to the Japanese, which resulted in Comalco's Australian subsidiary being able to reduce its taxable income over a period of four years, 1967-1971.

The commissioner had decided that the Commonwealth Aluminium Corporation ought to pay tax on an income of $A14 million, whereas the company argued that it was only liable to pay tax on an income of $A5.7 million.

The High Court decision in favour of the company has been described by one Australian Government minister as absolutely extraordinary.

Undoubtedly, that ruling makes it impossible for practical purposes for the taxation commissioner to prosecute hundreds of companies.

Guidelines to cope with transfer pricing, described as "common practice", are laid down in an OECD publication which describes the pricing and methods adopted by multi-national companies and methods to combat them.

The tax office here assured *NBR* that they are cogniscant with the combat methods.

Hospitals worth double NZLS book value?

by Warren Berryman

NEW ZEALAND Land Securities Ltd's two private hospitals may be worth nearly twice the total book value of all the company's assets. A director of the two hospital subsidiaries told *NBR* last week he estimated they were worth $4 million — and could earn as much as $500,000 a year.

NZLS is the subject of a 25 cents a share takeover bid from Whitehaven Holdings Ltd, a company controlled by two NZLS executive directors, Richard Solomon and John Martin.

The two hospitals are operated under NZLS subsidiaries, Haven Care Ltd and Haven Hospitals Ltd.

Cornelius Van Der Veer, a director of both companies said he estimated the profit from each hospital to be about $250,000 a year and the value of each hospital to be about $2 million if sold as a going concern.

A total $4 million for these two hospitals alone is far higher than the $2.38 million valuation for all land and buildings shown in NZLS's 1980 annual report.

And Van Der Veer backed up his $2 million per hospital valuation saying, "I would be quite happy to buy these two hospitals for $4 million."

Van Der Veer said his company, Cashmere View Hospitals, took a half share with NZLS in the two Auckland hospitals.

Cashmere View has two hospitals of its own in Christchurch and lent its expertise to NZLS designing almost identical hospitals for NZLS in Auckland.

With Beach Haven hospital ready to go, NZLS bought Cashmere Views' half interest out for $500,000. Cashmere View directors, Van Der Veer and Ronald Ball remain on the board with NZLS directors, Martin, Solomon, and Sir Hamilton Mitchell until they are paid the remaining $75,000 for their shares in Haven Care. This payment is due in July.

Van Der Veer said he based his $250,000 a year profit estimate both on his experience with Haven Care and on his own profits from his two identical Christchurch hospitals.

Van Der Veer said all four hospitals were virtually identical 72-bed geriatric hospitals. Thus profits should be similar.

Van Der Veer said he assumed the two hospitals run by NZLS might be making a bigger profit than his hospitals, as he thought his staffing costs might be higher than NZLS's.

Meanwhile, NZLS chairman, Sir Hamilton Mitchell is sending a letter to minority shareholders urging them to accept the takeover offer for their company without delay.

Included in the letter is further information disputing the claim by Stanley White, secretary of the New Zealand Share and Debenture Holder's Co-operative that NZLS was being bought out on the cheap by two of its directors.

NZLS directors recommended acceptance of the offer.

White, a chartered accountant, circularised minority shareholders saying 25 cents was too low. He valued the shares at 47 cents using an asset backing method based on figures in NZLS's 1980 accounts.

White Haven directors made the bid holding 53 per cent of NZLS's shares. They now hold 65 per cent.

The latest information comes from the company's auditors, Barr Burgess and Stewart. They value the shares at 21 cents each. All these valuations are based on assets not potential earnings.

The question of future profitability was mentioned briefly in Frankham's valuation. But he said, "it is not possible to forecast when dividend payments to shareholders may be resumed."

Mitchell's circular is accompanied by a note from Frankham explaining why his valuation of 18 cents a share differed from White's valuation of 47 cents.

"The principal difference between my valuation and Mr White's appraisal is one of approach", he said.

"It is pertinent to note that my valuation of 18 cents per share was based on full detailed and current information obtained from lengthy interviews with the senior executives of the company and a detailed examination of the accounting records.

"My calculations were based on the audited statutory accounts to 30 June 1980 updated to include information contained in the internal accounts to 30 November 1980. Mr White's appraisal was drawn from information contained in the statutory accounts to 30 June 1980," he said.

Frankham said White endeavoured to value the assets and arrive at a share value by dividing the net book value, adjusted for market variations, by the number of shares to give a value per share.

Comment

Editorial

THE Government is obviously anxious to hold on to those National supporters among small business people who have become disaffected by the "think big" strategy. Thus Trade and Industry Under-secretary Keith Allen last week had some reassuring words for one small business group, explaining that the economy and industry generally would benefit from the downstream and secondary activities and the overseas funds generated by the big projects. "When the economy prospers, small business prospers," he declared.

Allen reminded "think big" critics of the Prime Minister's comments that we must generate and save more overseas exchange to overcome the chronic balance of payments constraint on our economic growth, and must therefore develop and use our natural resources. "And this requires massive investments and bold initiatives".

It also involves the participation of multinationals. And the Government should be eager to encourage a suspicious public to welcome multinational involvement if it is to win support for its development projects.

But those who regard the overseas giants as resource plunderers, concerned only with profit aggrandisement, must have had their attitudes reinforced by the tax problems facing Alusuisse, a partner in the second smelter consortium.

Alusuisse is facing a round of talks with Australian tax authorities. It is reported by the *Australian Financial Review* to have recorded a trading surplus of $122.6 million over the past eight years, but to have paid negligible tax on those surpluses.

The company is also involved in a transfer pricing row in Iceland, which has led to a renegotiation of the agreement between Iceland and Alusuisse about the operation of its smelter there. The Icelandic Ministry of Energy had been studying for several months the pricing of alumina imported from Australia by Icelandic Aluminium, a wholly owned subsidiary of Alusuisse. The results showed the price of imported alumina was much higher than one would normally expect in view of the export price for alumina from Australia. The price differences directly affected the amount of taxes paid by the aluminium company to the Icelandic Government. As an Icelandic Minister explained to the *New Zealand Herald*, when comparing the two prices on an equivalent basis between January 1974 and June 1980, it appeared that the alumina price "increased at sea" by 54.1 per cent at the exchange rates prevailing each year. This, he claimed, led to a loss of fiscal income by the Icelandic Government of about $47 million and a breach of a 1969 agreement between the company and the Government.

A recent Australian experience involved Comalco, which through an Australian subsidiary was mining bauxite and selling it to the Japanese. The bauxite was being shipped direct to Japan. But it was being sold through a Comalco subsidiary set up in Hong Kong to take advantage of the tax rates there. The object was to reduce taxation. And, of course, to optimise profits.

Australia's tax commissioner argued that the Commonwealth Aluminium Corporation should pay tax on an income of $A 14 million; the company argued it was liable to pay tax on an income of only $A5.7 million. And in the High Court, the decision went in favour of the company. The Australian authorities now plan to introduce a retrospectivity clause into a new catch-all section of the tax legislation. But in the meantime, hundreds of millions of dollars in tax revenue are being lost.

In this country, Energy Minister Bill Birch somewhat glibly has said the Government could determine a market value for alumina and prevent any deliberate attempts to boost the price for tax savings.

Prime Minister Rob Muldoon seems equally smug that we will be immune from fiscal exploitation, and disinterested in Alusuisse's track record on that score. The other day he made plain he had no intention of ordering a check of reports that Alusuisse had been involved in a "tax scandal". He dismissed Opposition leader Bill Rowling's questioning of Alusuisse as "just some kind of political stunt", and scoffed that the "leader of the Opposition is notoriously unreliable in these matters".

On the one hand, Muldoon was confident that if there was anything of substance in Rowling's claims, the Inland Revenue Department officials would follow it up. The Australians presumably were confident they had the matter in control too — until the High Court decision which raised doubts about the right of the Australian Tax Commissioner to decide how much tax foreign-controlled companies should pay on goods they sell to other companies they control in other parts of the world. And the Icelandic Government no doubt was confident it had the problem countered in the contract arrangements which it claims now have been breached.

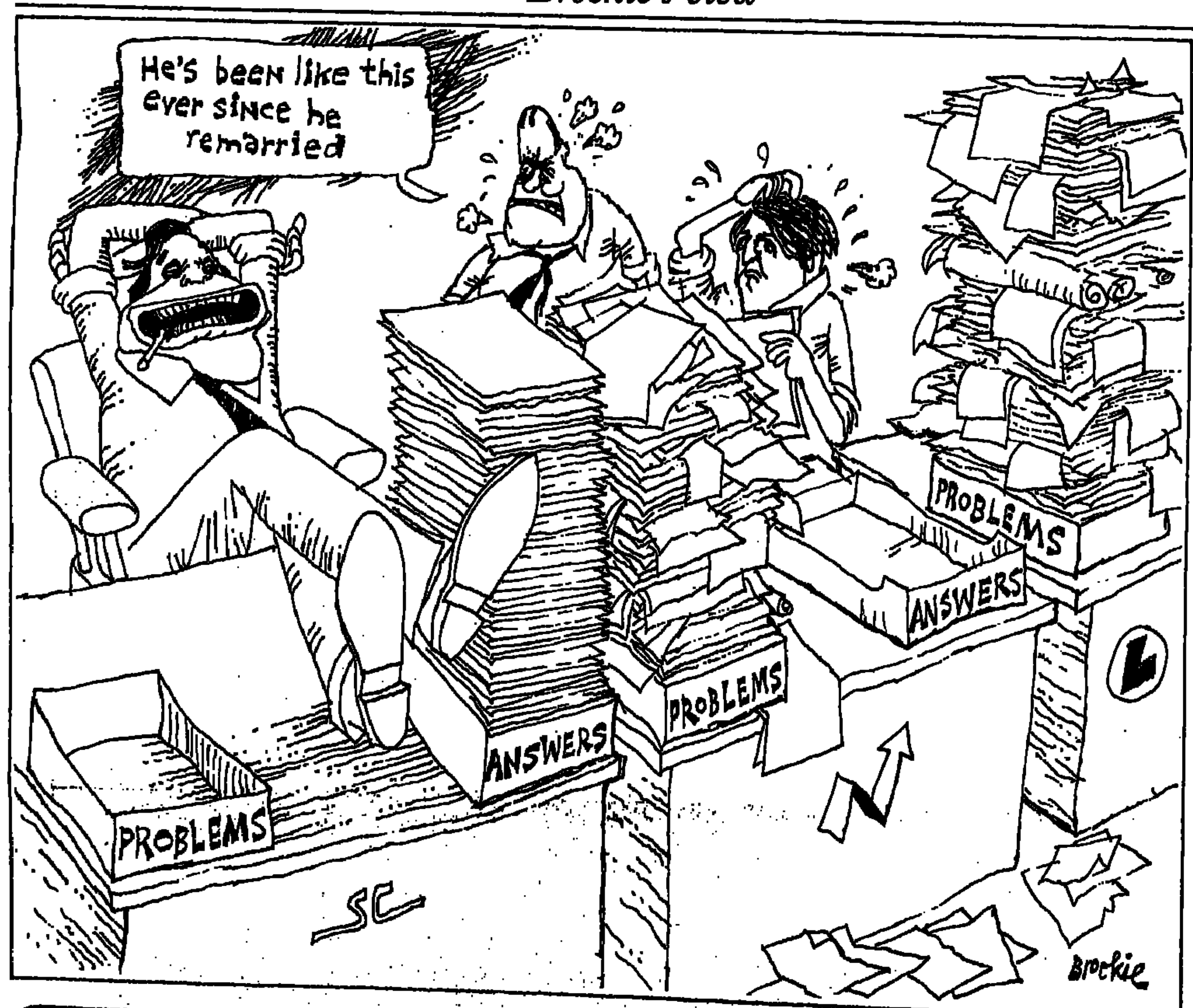
On another tack, Muldoon declared that Alusuisse was involved here with "a very strong and able New Zealand partner which the circumstances would not condone anything that isn't strictly in accordance with the law". Fletcher and its partner would ensure that anything done as far as the smelter was concerned was "fair and square and above board".

Some will recall the Fletcher idea of fair and square when that company tried to sew up its takeover of Carter Holt before it had made public its takeover plans. At the Commerce Commission hearing it turned out that Jardens had bought from institutions a significant slice of the shares in Carter Holt. Jarden bought 23.6 per cent for Fletcher, about 9 per cent for its nominee Customhouse Holdings, and about 15 per cent for New Zealand United Corporation. Grand total: a suspiciously handy 49 per cent. And arguments at the Commerce Commission hearings centred on the legal point of whether Fletcher had a beneficial interest in the two other shareholdings or whether the three had acted "jointly and in concert".

The Government is committed to thinking big and must entice overseas investment to provide the wherewithall for its economic miracle. But politics is politics and business is business. Increasing numbers of small business people see Social Credit, rather than National, carrying the free enterprise banner. They are attracted, too, by the fact the league has declared itself against "think big" policies and multinational involvement in our development. By year's end, Muldoon may find that big businessmen have been much more successful at their business than his party has been with its politicking.

— Bob Edlin

Brockie's view



Without word of a lie

Screen test

SAMOAN writer Albert Wendt will present a television essay on TV's *Kaleidoscope* on April which will have more implications than the casual viewer might suspect. It is also, in effect, a screen test.

A major series on the Pacific region, in the style of Alistair Cooke's *America* has been mooted and Wendt is a prospective presenter.

No decisions have been made beyond this yet, but Wendt's first television performance has been described as "encouraging". The 15-minute film, made in Samoa by a TVNZ team, is about how the brilliant Samoan novelist, poet and essayist measures the effect today of the various European influences on the indigenous culture since the 19th century.

New pilot?

TOM Skinner turns 72 on April 18, the retirement age.

There is provision, however, for the incumbent to stay on at the pleasure of the Minister of Transport; the previous chairman, Sir John Ormond was left in the post for two years beyond his 72nd birthday.

One line of speculation is that Sir Tom will be told to stand down and that Rob Muldoon's long-time pal, Harry Julian, will be elevated from deputy to the chairmanship. At the same time, Sir Tom's position on the board and an existing vacancy could be filled.

Another informed guess is that Sir Tom will be left undisturbed until after the election.

There may be some caucus opposition to that proposition, but it is suggested there may equally be some caucus reluctance to Julian's appointment.

None of those involved seemed to have any firm indication of the Government's thinking at the end of last week, but one name suggested for the existing vacany on the board is Alan Wright, Dominion President of Federated Farmers, should he not stand again for that post.

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Comment

Time running out to rally around the environment

by Dave Witherow

THE environmental movement in this country has always been fairly disorganised. Local crises come and go, and *ad hoc* groupings fly together in response, and while things may have altered somewhat recently the bird people basically still create about birds; the tree people about trees; and the locals get exercised about wreckage locally.

Perhaps this was adequate in the past but it won't do anymore, for three main reasons.

First, the ground-rules have been changed. The National Development Act is still to be tested on a controversial issue, but the Act's over-ride provisions, if invoked, can reduce environmental litigation to a sham.

Second, news to nobody, the economy is in trouble. Recall for a moment the history of Alaska's oil pipeline. At one time it seemed this environmental bogey would never be built, so popular was the outcry against it. But with the first hint of oil shortage minds changed by the millions across America and the pipeline was on its way.

There is a general unwillingness, evidently, to indulge in conservation at any real material cost (in this country, Environment Minister Ian Shearer's suggestion of a 2 per cent environmental levy indicates our order of priorities — and even this modest proposal will never be accepted).

Third; there is the fact that resources to plunder are getting scarcer. Neighbourhood opposition to, shall we say, the despoliation of a beach may have worked okay — when there were lots of alternative beaches should the case be lost. But as exploiters zero in on fast-diminishing resources the issue is becoming more critical. And our mounting capacity for large-scale destruction — or, if you prefer, our predeliction to think big — adds to the problem.

"The environment is invisible," is an old Sierra Club rallying-cry. And it's true.

The great truth of ecology is nothing more than this; and an informed environmental concern must be a comprehensive concern.

We are not campaigning for kakapos or kahikateas, or even swamps and forests, but for the survival of whole ecosystems, the complex functioning of which we are only now beginning to understand. So there are sound theoretical justifications as well as pragmatic political reasons for the forging of a united conservation movement in New Zealand.

By every indication, the 1980s will be a troubled time. It is at last becoming clear that hard choices must be made between material and environmental goals.

Fudging the issue — that favourite recourse of both sides for many years — is becoming very difficult. We can have more people, cars, and canned beer (for a while longer) — or we can keep the surviving New Zealand wilderness intact. But we can't encompass both.

The Government has opted unequivocally for more beer, and the Opposition, in its own furtive way, wants more beer too.

Socred has not yet thought the issue through and will, I suspect, try fudging. Whatever, there are interesting times ahead, and the Greenies can only grow in number.

Consecutive disasters drive home the same blunt truth: we are running into limits. And, ironically, each maladaptive economic blunder sheds its quota of defectors from the troubled encampments of development and progress.

The notorious second smelter already has served remarkably well in elevating public awareness of uncomfortable facts. Twenty five per cent of Dunedin's citizens no longer want the smelter, while approximately half the city's population would like to see it built. (When, up to now, has a $30 million enticement — the smelter's annual value to Dunedin — been rejected by a quarter of those about to take delivery?)

Last year, before the site choice had been finalised, there was a peculiar diversion when the smelter consortium appeared to be wavering on Aramoana in favour of Wycliffe Bay on Otago Peninsula.

Peninsula residents became thoroughly alarmed and very vocal. Wycliffe Bay was dropped — too late, the new recruits stayed anti-smelter.

Insularity remains. But few areas of the country will be unaffected by the trials of the 1980s. Environmental attrition on a far grander scale than hitherto achieved may well transpire — the multinationals, trading on our naiveity, will certainly make it possible.

But I confess a residual belief myself in that corny slogan "the Kiwi can", and a faith that this people's environmental consciousness, now awakening, will more than meet the challenge.

Dave Witherow is a Dunedin zoologist and occasional fishing and environmental writer.

Without word of a lie

Thank you, Mr Asia

WHAT's all this about a cosier relationship with our friends across the Tasman?

Enterprising Kiwi drug-runners with an Australian connection have led to a far tougher journey through the Immigration/Customs gauntlet for New Zealanders on arrival at Aussie airports.

One frequent traveller to Australia on business reports that since the "Mr Asia" publicity, he now gets pulled to one side by Australian officials and asked to prove his identity.

Acquaintances of his have also reported similar treatment. The most suspect visitor in Australian eyes apparently is the one staying between two to seven day.s

'Phrasing out' fund?

SINCE the New Zealand Author's Fund scheme started in 1973/74, authors have taken a 31 per cent cut in payment per copy for books held in public libraries. The total fund has been increased from $140,000 at the start to $200,000 this year but because the number of authors has more than doubled (to 732) the payment per copy has dropped from $1.31 to 90 cents this year. The 90 cents is well below the previous lowest payment of $1.09 per copy in the two financial years beginning in 1976 and ending in 1978. Those two years were the only previous period when the fund was not increased — until this year when it stayed at the $200,000 allocated last year.

Authors were more miffed this year by the delay. The first major resurvey since the scheme was started was carried out last year and instead of receiving cheques in December 1980, authors got the money this month. Some expressed the fear that if it got later and later the Government might miss one whole year out.

Among the highest paid were names well enough known among literary buffs — Dame Ngaio Marsh, John A Lee, Maurice Shadbolt, Frank Sargeson — but the author with the highest number of registered books was Margaret Mahy, Dunedin's prolific writer of children's books.

Whether the fund will be increased for the coming year will be decided by Finance Minister Rob Muldoon, an author himself but rather more affluent than most. If he doesn't up the ante, writers don't have many choices in retaliation. If they go slow or strike no one will notice. But if they picket, they could compose beautifully phrased placards.

Quango quandary

AFTER swinging a right at Tasman on a Monday, the Prime Minister's left hook went in to the PSA on the Tuesday.

He claimed members are wanting to break away because the association is too "political". But *NBR* understands that out there in Quango-land, half-pie PSA members are urgently seeking written agreements with their bosses to enforce PSA regulations.

Staff below the management level in several quangos have agreed to go the PSA way, but are facing difficulties in getting management to come to the party.

Staffers don't have any agreement to go to the industrial court with their employers and would like to hold the PSA's hand on the way.

And to put further pay to the truth broadcasting journalists have agreed to merge with the PSA. Announcing the merger, Association of Broadcasting Journalists president Bill Southworth said "our members prefer to stay out of politics, but we are satisfied that the PSA has a democratic system of deciding its policy".

Oops!

BUTTERWORTHS' prestige as a publisher of legal tomes was just a little punctured in the advertising blurb for its latest, and excellent book *Environmental Law*.

The author, David Williams is a member of the legal fraternity and therefore of the Law Society, which prohibits its members from advertising in any form. And the blurb describes him in terms of his law company.

After printing, the blue was cleared with the Law Society. And, for the record, Williams is a partner in Russell McVeagh and Co in Auckland.

DRG closure

DRG Industries Ltd will close its carton division on April 30, which will mean the loss of 50 jobs in the Auckland plant.

Announcing the closure, DRG directors said diminishing sales and tighter profit margins with no respite in sight left no alternative. Attempts to sell the operation as a going concern were made with no success.

The closure marks one further step in NZFP's rationalisation plans. With DRG packaging out of the way, NZFP is in a stronger position as a vertically integrated (pine trees to paper and cartons) industry to control the market for paper and cardboard products.

Letters

Other side of the story

IT was perhaps understandable that the author of the article on the CSR-Baigents Nelson pulpmill proposal should choose anonymity to cover the slanted interpretation of facts to suit the forestry page (*NBR* February 9). Some balance is required.

While this is the second tribunal hearing into a Baigent pulpmill proposal, the main obstacles in the first proposal were in Baigent's own planning that did not recognise the inherent delays in the democratic planning process. Baigent ran out of time.

The article is notable for the emphasis placed on opinions of people and organisations away from Eves Valley. It would doubtless be considered uncharitable to suggest that their support for an Eves Valley site precludes consideration of their backyard.

The notable omission is the lack of emphasis given to the people in the area. Waimea County refused to grant a zoning change and it, after all is the relevant local body.

The regional water board approved rights by 10 votes to four. (The reference to the unanimous decision of the special tribunal is not relevant as it is the board that grants water rights, not a tribunal).

The board was concerned at the effect of the pulpmill on the low flow of the river and not the average flow. This summer has justified that concern.

The Waimea Residents Association is a protest group, if that is the label for a group of business owners, ie farmers, trying to protect their livelihood and way of life.

The issue is the site. At no time has CSR-Baigent justified its sitechoice reasons and everyone is expected to accept its decision.

Fortunately in this country big business in the form of overseas companies is not God and other business people are entitled to explanations not selfish arguments.

Why should the lives and livelihood of people in Waimea be disrupted merely to avoid disruption to the lives of a few Baigent bosses?

The real question is not who may be the loser, but who will be the winner when CSR folds its tents and returns to Australia. The winners will be justice and democracy and the clean horticulture industry that can provide many more jobs and export income with the saved land and water.

And the mill can still be built on another site. A balanced article would have brought out these and other points.

G J Batten
Brightwater

Socreds in Canada

Your mention of a National Development Plan in my January 26 letter is a misprint for New Democratic Party (NDP). The effectiveness of Socred in British Columbia is effectively countered when one compares their record against the record of the NDP, when they were the government from 1972 to 1975.

The point about Socred in British Columbia is that, like the National Party in New Zealand, the length of time in government has meant that a degree of arrogance has become evident in the way the Socreds treat the electorate and the taxpayer's pockets.

The *Victoria Times* and other papers carried a series of stories during 1979 and 1980 which reveal that three ministers aides had been caught in speculation scandals, political appointees had been given access to budget secrets, a deputy minister had admitted financial interest in a ferry brought from the government, and that relatives of ministers have been put on government payrolls. The classic is that one cabinet minister used a government jet to make more than 400 private trips between his home and Victoria in the last two and a half years.

Bankruptcies rose from 100 to 300 in the last three years also and there is no response from the Socred government to preventing this occurring.

All of these scandals and evidence of mismanagement and callous disregard for the British Columbia taxpayer has meant that the Socred party has lost voter support and is currently trailing the NDP by 10 to 15 per cent in the opinion polls.

It doesn't take much analysis to reason out that the alliance between the New Zealand Socreders and the British Columbia Socreders is one of political expedience on behalf of the Canadians.

If the British Columbia Socred Party can gain some sort of credibility by helping one of the most incredible political and pseudo-economic theories to gain political acceptance in New Zealand then its own tarnished and much muddied political image can be rescued in the 1982 British Columbia elections.

The "fortuitous" visits of the British Columbia Socred organisers and deputy premier McCarthy to New Zeaand during the New Zealand election campaign give credence to this theory. No doubt questions will be raised in the British Columbia legislative as to who is paying for the junkets to New Zealand by Socred members of the legislative? The British Columbia taxpayer will not be happy if his money is being used by Socred in British Columbia to interfere in the New Zealand elections.

If the New Zealand Socred League is to attempt to gain political credence by claiming that Socred policies have worked in British Columbia then it must be prepared to take criticism and comment that destroys the myth being carefully perpetrated by their propaganda machine.

The unduly sensitive attitude of Messrs Beetham, McConachy and Hunter towards criticism of Socred either in New Zealand or in British Columbia is sure evidence that all is not what it appears to be when informed discussion of Socred takes place at any time. The British Columbia 1980 Budget – an excellent piece of Social Credit policy – according to local Socred letter-writers – resulted in a huge budgeting error of $500 million. The province's income was discovered to be lower than Finance Minister Curtis calculated. The result: Massive cuts in health expenditure, education and social welfare development while taxation went up to record levels. A fair sampling of such increases are:

- British Columbia Hydro rates up 13 per cent – charges have increased 65 per cent over the last five years.
- Acute case hospital bed charges up 110 per cent.
- Car insurance rates up 83 per cent over the last five years, an average of 16 per cent a year.

Contrary to statements made by Harris and Ritchie, the press attacks on the inefficiency and corruption in the British Columbia Social Credit government continue unabated.

The deduction to be made of Socred claims that New Zealand needs Social Credit just like British Columbia has is obvious. We don't – it would be as useful and efficient as a hole in the head.

Alan Pappril
Whanganui

Telling silence from Socred

THE indecisiveness and lack of any clear directive from the Social Credit Political League during the recent period of industrial disruption must have raised the question in the minds as to whether a government in which Social Credit held the "balance of power" could effectively cope with industrial tensions and confrontations.

It would appear that as industrial relations become more and more important, the relevance of Social Credit becomes less and less.

Ross Armstrong
Auckland

Colouring our copy

I FOUND the article entitled "Xerox rebuff" appearing in 'Without a word of a lie' (*NBR* February 23) very amusing.

However, I must hasten to point out that your sub or typesetter have made an error in that you state "the term 'colour Xeroxes' is quite correct, the company advises us."

In my letter to Warren Berryman dated February 3, I stated "the term 'colour Xeroxes' is quite incorrect."

Donna Reid
Public Relations Officer
Rank Xerox

Politics

The fading blue rinse: National's good women

by Colin James

IT is significant that the only party of any significance in the past 10 years that has a woman leader is the Values Party.

Values in many ways has innovated in its approach to politics – most notably in opting for a sustainable, conservation-minded economy instead of the growth-oriented economy preferred by the bigger parties (and, I think, the public).

Values also chose a gentler style of politics. At a Values conference one sees a lot of touching between delegates, a more ostentatious display of "caring".

The battles can turn nasty, as when the "socialists" tried in 1979 to take over. But there is generally less abrasiveness about Values discussions, less counting up of numbers than in other parties.

Whether it is this style that has attracted women into the party, or whether the women, attracted for other reasons, have influenced Values towards the style, I do not know.

The fact is that women do play a far more important part in Values than in the bigger parties. Around half the active members are women.

Men conscientiously take their turn mining the conference creche (other parties don't even have creches). There are earnest debates over sex roles in society, child care and so on. Scarcely is heard, as the song nearly goes, a discouraging word.

But Values – though still surviving, as an upcoming conference at Easter at New Plymouth and the intention of some to stand in the coming election indicate – is now miniscule.

To have real influence within the political party system, women have turned by and large to the Labour Party.

For more than a decade in that party women have played an increasingly influential branch level role, emerging in many areas as the binding force (hence part of the reason and need for a women's co-ordinator).

Then, four or five years ago, their apprenticeship over, their weight began to be felt at higher levels. People like Helen Clark, Margaret Wilson, Margaret Shields and Lois Welch have developed considerable clout.

Clark and Wilson, in particular, are skilled and powerful, with a clear tactical and strategic sense — and a wide-reaching supporting network to back them — that suggests women will influence the party throughout the 1980s.

Given the hostility assertive women often face from men habituated either to liberal paternalism (like this column?) or conservative dismissiveness of scone-butterers, the Labour women are developing a nice sense of how and when to press points and when to take the pressure off.

They may also during the 1980s have to learn when to take the pressure off in a wider political sense, as a developing conservative bite eats deeper into their realisable ambitions.

But, longer-term, the trend in western society over the past 150 years has been towards a more liberal (in the American sense of the word) society – that is, freeing people from artificial or unnecessary societal shackles, for example, starvation through no fault of the starver.

We may therefore expect the 1990s or 2000s to be a decade when the long march towards a "freer" role for women is resumed.

It is fruitless in 1981 to speculate what forms that future freer role might take. But probably it will have at least some effect on the divisive adversary system men seem naturally to bring to politics.

The key will be good women. Intelligent, flexible, relentless, broad-visioned women with a sense of the destiny both of their own sex and humanity.

A year ago I wrote of Clark as such a woman when she was selected as Labour candidate for Mount Albert. There are, as I indicated above, plenty such women in the Labour Party.

But there is also a breed of (mainly rural) women to be found in the National Party.

Women like Ruth Richardson, candidate for Selwyn and likely Christchurch counterweight to Ann Hercus. Wealthy, bright, sharp and vigorous.

Or Jenny Simpson from Taranaki, slim but with a hockey-playing look about her, determined and a bit rough-edged, self-confessedly learning to be assertive without being aggressive (that is, able to shake hands without crushing bones).

Or patrician (matrician?) Vicky Duncan from a valley up the back of Hunterville, now climbing fast on to the national scene (the Accident Compensation Corporation) from a self-made country councillor.

Or once-academic Jenny Gibb from luxurious Titirangi, liberal, penetrating and eclectic.

Or, to get away from the 30-45-year-olds, Dorothy McNab, Scottish traditionalist of Otago stock who punched holes in southern conservatism to become the first National woman divisional chairman (yes, chairman) and, most likely, first woman dominion president, had not ill health temporarily intervened.

These are the women activists whose birth or marriage pull them towards the National Party, when otherwise their activism might push them towards Labour. As they find their feet, they are reducing the imbalance between parties.

Women inside the National Party have been expected to be polite, rather than political. But during the tenure of the woman's vice-presidency of deceptively polite and precious Sue Wood, they have been becoming, if not stridently feminist, at least more vocally liberal.

They set the tone at a seminar Wood ran for North Island National women at Taupo a weekend ago. Long gloves and hats were out.

Richardson confronted the 180 present with the logical inescapability of extending a libertarian approach to economics – let's get the Government out of business – to social and moral spheres – get the Government out of bedrooms, too.

When Gibb chimed in with the factual inescapability of alternatives to the "nuclear" family of mum, dad and 2.3 kids, delegates had suddenly to recognise that they could not logically have free enterprise without free social association.

I was not present for the Saturday workshop sessions which wrestled with these challenges to traditional National social conservatism, and others, like the place of Maoris, prejudice-breakingly argued by lone male panellist MP Ian McLean.

I am told they were traumatic: tears, tension and painful recasting of mental blocks.

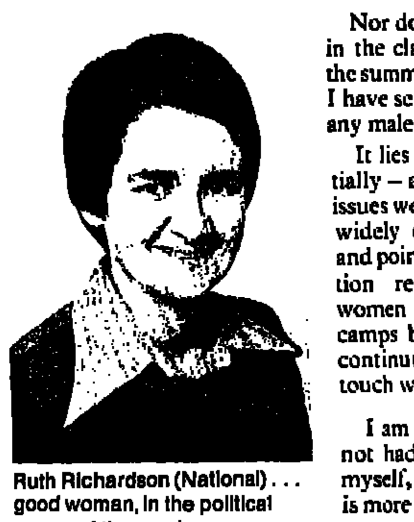
In male terms, the modernists won. But "won" would do injustice to the process.

Men would have taken sides, argued and passed resolutions by majorities. The women talked, talked and talked. And, so a number of them from both "sides" told me on the Sunday, they began to see beyond the rigidities of their "opponents" to their own rigidities and to develop, if not exactly a consensus, at least an accommodation.

McNab, for instance, rigid believer in the nuclear family, reappraised this cornerstone of her beliefs while chairing one workshop. On Sunday she presented a summary which reflected the group's preference – and her own new – tolerance (note: not advocacy) of alternative families (solo parents, even!).

I shall pass over the irony of this newfound National stance at a time when Labour strategists are urging their own women to go easy on such sensitive issues before conservating electorate.

The importance does not lie in the apparent clear ascendancy of the liberal women in the National Party, an ascendancy which has gradually been emerging since people like Wood went on abortion marches a few years back. The South Island seminar this weekend just past may well have had a different message.



Ruth Richardson (National) . . . good woman, in the political sense of the word.

Nor does the importance lie in the clarity and harmony of the summing-up session, which I have seldom seen matched at any male gathering.

It lies in the process. Potentially – and actually – divisive issues were put to women from widely differing backgrounds and points of view and a resolution reached that left the women not in two exclusive camps but positioned along a continuum that left them in touch with each other.

I am assured, though I have not had the chance to see for myself, since the Labour Party is more secretive, that much the same sort of process operates at Labour women's gatherings.

Is it a fascinating glimpse of the future? Or just a flash of a dying phase? Values may yet have something to say to us from beyond the grave.

Economics

New Zealand growth goes down in the world

Economics Writer

TO hear Government politicians tell it, the story is that our economic growth rate has followed the world trend. Other countries suffered a recession in 1974/75, recovered, and slowed down again and so did we.

The OECD experts perched on top of Paris' marble steps tell a different tale. New Zealand was among the OECD members to be worst hit by the recession of 1974/75 and has not recovered since then. We averaged the third worst growth rate of the 24 OECD members between 1973 and 1979.

Statistics on gross domestic product (GDP), the most common measure of a country's economic output, have recently been published by the Paris-based OECD, the organisation for Economic Cooperation and Development.

The latest year for which comparative GDP figures are available for each member country is calendar year 1979. Also published are GDP statistics covering the period between 1950 and 1979.

OUTPUT PER HEAD FOR OECD COUNTRIES — 1979
(Measured in US dollars at current prices and exchange rates)

1.	Switzerland	14,967
2.	Denmark	12,943
3.	Sweden	12,822
4.	Germany	12,450
5.	Luxembourg	11,636
6.	Norway	11,356
7.	Belgium	10,995
8.	Iceland	10,977
9.	France	10,683
10.	United States	10,635
11.	Netherlands	10,624
12.	Canada	9,582
13.	Austria	9,115
14.	Japan	8,722
15.	Findland	8,693
16.	Australia	8,373
17.	United Kingdom	7,165
18.	New Zealand	6,786
19.	Italy	5,688
20.	Spain	5,310
21.	Ireland	4,394
22.	Greece	4,062
23.	Portugal	2,072
24.	Turkey	1,558

GROWTH RATES FOR OECD COUNTRIES 1979

1.	Finland	7.2
2.	Japan	5.9
3.	Austria	5.1
4.	Italy	5.0
5.	Germany	4.6
6.	Australia	4.4
7.	Portugal	4.1
8.	Sweden	4.0
9.	Greece	3.8
10.	Denmark	3.5
11.	Norway	3.2
11.	France	3.2
12.	Canada	2.9
13.	Luxembourg	2.7
14.	Iceland	2.6
15.	United States	2.4
15.	Belgium	2.4
16.	Netherlands	2.2
17.	Ireland	1.9
18.	New Zealand	1.0
19.	United Kingdom	0.9
20.	Spain	0.8
21.	Turkey	0.6

Going back to the period between 1969 and 1973, our output was keeping up with the pace of other OECD countries. We averaged an annual growth rate of 4.4 per cent, only slightly less than the OECD average for that period of 4.7 per cent.

But since then our growth performance has not measured up very well. Between 1973 and 1979, our average slipped to 1.1 per cent per year. Only two countries, Switzerland and Luxembourg, suffered worse growth performances.

At the top of the list stand Turkey (average growth, 5.6 per cent per annum), Norway (4.0 per cent) and Japan (4.1).

By 1979, our annual growth rate stood at a puny 1.0 per cent, but as the first table shows, we had moved up from the third worst to the fourth worst growth rate for the entire OECD. The three countries with worse growth records than ours were Britain, Spain and Turkey.

Our economy takes on a slightly healthier complexion when GDP is broken down per head of population. In the second table, in 1979 every man, woman and child here earned about $6786 of GDP, on average. Six OECD countries scored a lower level of GDP per head than we did.

But even if our ranking improves when our economic output is analysed in this way, our performance during the 1970s has been dismal. In 1970, we stood 13th from the top of other OECD members when figures for GDP per capita were ranked. By 1979, we stood at 18th.

Gold medalist athlete John Walker recently announced that one reason he was leaving New Zealand to live in the United States was that he was taxed too much here. A closer look at tax statistics collected by the OECD does not reveal that our taxes are high by international standards.

When our tax take is taken as a proportion of GDP, we rank in the third of OECD countries with the lowest proportion of GDP going to tax.

Statistics for economic growth suggest that it is our standard of living which has declined in the 1970s, at least when measured in terms of economic output. And those *people like John Walker who* can get around to other countries to make comparisons must see that economically speaking, New Zealand has gone down in the world.

Not that Walker has chosen a country with a rising standard of living. Like ours, the United States economy has fared badly during the 1970s. It averaged a growth rate of 2.4 per cent in 1979, placing the United States annual growth rate 15 from the top for the OECD. When GDP per capita is measured, the United States, ranking the highest in 1970, stood in 10th place by 1979.

Our neighbour, Australia's living standards (measured in terms of economic output) are likely to rise faster than those in the *United States* over the next few years. While Australia's GDP per capita was below average for OECD countries in 1979, *Australia's growth rate* was the sixth highest. At 4.4 per cent per year, Australia's 1979 growth rate was way above average for the OECD.

Japan's economic performance during the 10 years between 1969 and 1979 is one of the most remarkable. Japan's average growth rate was 9 per cent *per year* between 1969 and 1973.

This average fell to a still acceptable level (considering the 1973 oil crisis and Japan's dependence on oil) of 4.1 per cent growth per year between *1973 and 1979. By 1979*, Japan stood second after Finland in the growth rankings.

As a result of Japan's rapid *rise in economic output*, GDP per capita has risen from $1989 in 1970 to $9722 in 1979. While Australia and New Zealand both had higher GDP per capita in 1970 than Japan, by 1979 both countries had fallen below *Japan*.

We may gain some consolation that our economic performance has not been much worse than that of Britain. In 1979, the British economy crept along at a rate below our 1.0 per cent annual rate, but GDP per capita was $7165 compared to our $6786.

According to the NZIER, our growth performance did not improve in 1980. Its December *Quarterly Predictions* put growth here at 0 per cent for 1980/81, although their latest March predictions will revise this figure.

Ten years ago, the New Zealand economy was on the way up and facts and figures like those the OECD has just released would not have created much of a stir. Even if the figures had portrayed a poor economic performance, New Zealand was Godzone and still a great place to bring up kids.

But things have changed and despite the still valuable non-economic assets that New Zealand has, economic pressures during the late 1970s forced many Kiwis out of the country. Even illustrious son John Walker, somewhat late in the game, has opted to join the plane people.

He claims we are overtaxed — an allegation which finds a lot of support among many income-earners. Others more rightly believe that it is their standard of living which has dropped and high tax rates are only a symptom of that.

After all, Prime Minister Rob Muldoon promised that living standards would fall five years ago. *Lower living standards* have been duly delivered and it hurts.

Measured against these experiences, even abstract series of growth statistics become telling. They are yet another *outward and visible sign of our* inability to get our act together.

And it will take a lot more than Tania Harris's Queen Street marchers singing patriotic songs like "If anybody can, the Kiwi can" to reverse the downward trend in living standards. For this sort of thing to become anything more than whistling in the dark, we need this Government to turn on the light and lead the way out of our economic abyss.

This means throwing aside election-year policies designed to win elections, rather than *righting the economy. It means* getting rid of slogans about economic miracles and think big and adopting instead realistic plans.

Sharebrokers split on effects of energy boom

by Klaus Sorensen

SHAREBROKERS seem divided about the effects the predicted energy boom will have on the sharemarket.

Some are telling clients to look forward to the riches which will stem from our energy programme; others are pointing to the considerable fund-raising which is required and the effect this might have on market liquidity.

The brokers seem to be taking the recent lull in sharemarket activity as an opportunity to remind investors of the consequences the energy projects could have for equity investment.

Wellington brokers Francis Allison Symes and Co believes the sharemarket will move up from about May onwards, and predicts that an early rub-off from the energy developments will see a resurgence in the house-building industry.

Auckland broker Morrow and Benjamin takes a more cautious approach, pointing to the cash requirements and predicting a firming of interest rates and a spate of cash issues.

According to M and B, "the share market is currently going through a long overdue period of consolidation. Equity investors should now consider the likely effects on our market of both the public and private sectors' preparation for the much-talked-about development programme and the raising of funds to finance capital expenditure of up to $6 billion on energy-related projects over the next 5 to 10 years.

"We expect interest rates to firm as both the public and private sector scramble for development dollars. Further, we predict a spate of cash issues from companies looking to improve their borrowing bases in preparation for further expansion."

Morrow and Benjamin believes that in the light of firming interest rates and a call for cash from the market, growth is likely to be limited for the next few months.

"Traditionally stocks with comparatively low-dividend yields suffer in the face of higher interest rates as investors sacrifice the possibility of growth for reinvestment into high interest-bearing securities."

The Auckland firm's advice is that "quality" high-yielding stocks, "are unlikely to attract the attention of sellers in an interest-related market adjustment".

Francis Allison Symes begins its client bulletin for March with the proposition that "if you believe that markets come down as well as go up, then the recent slide in the sharemarket will come as a welcome relief because it is always comforting to have one's beliefs confirmed".

But the Wellington firm believes the effects on the market of the Winstone situation, a reduction in buying support from institutions, and several profit downturns, will be largely temporary.

"We believe that the market will move up from about May onwards. Until then we are expecting a fairly flat market and in view of our longer-term view the next few months should offer a good buying period."

FAS advances five reasons why the market will lift from May.

First "with many of the decisions made in the major energy development projects and expenditure now under way on the first two projects the real as against foreseen effects will shortly come through into the economy. The NZIER estimates the actual expenditure on the major projects at $505 million during the year ending March 31 1982 as against $85 million for the 1981 year".

The firm notes that "after virtually no economic growth in the last few years there are some bullish forecasts now coming through on the outlook for 1981/82.

"This growth will have a beneficial effect on the whole economy but probably the main early effect will be seen in the house-building sector, an area which has been the more depressed, for longer, than most other areas of the economy".

The slowing, and possibility of a reversal, of the current net emigration will aid housing starts.

The firm says the NZEIR is predicting a 17.5 per cent increase in building permits for the March 1982 year. However, the total value of residential investment including cost increases is estimated to rise by about 31 per cent.

FAS believes institutional cash flows will continue to increase fuelled by a substantial increase in the internal deficit.

"The same thing goes for private money incomes, and we see an increasing amount of money being spent on in the sharemarket".

While the profit outlook is mixed, according to the Wellington firm, those companies with growing export business and capable management will continue to outperform.

"Similarly the takeover and merger process will continue as the more efficient companies see better opportunities for the utilisation of the less efficient".

In spite of the massive rise in the market last year the "valuation structure" of the market suggests to FAS that share prices have not fully anticipated the impact "that the magnitude of economic growth now being suggested will have on many companies' earnings."

So the present market stage is a "pause" according to FAS, "certainly justified but not attributable to any factors which at this stage could be said to be permanent features of the market scene".

Exchange rates

AS at March 19 $NZ sells at:

Britain	.4044
United States	.9253
Canada	1.0941
Australia	.7888
Fiji	.7435
Austria	13.37
Belgium	31.06
China	1.1609
Denmark	5.9876
France	4.4184
Greece	45.79
Hong Kong	4.8122
India	7.4742
Ireland	.5155
Italy	[illegible]
Japan	[illegible]
Malaysia	[illegible]
Netherlands	[illegible]
New Caledonia & Tahiti	[illegible]
Norway	[illegible]
Pakistan	[illegible]
Portugal	[illegible]
Singapore	[illegible]
South Africa	[illegible]
Spain	[illegible]
Sweden	[illegible]
Switzerland	[illegible]
West Germany	[illegible]
Western Samoa	[illegible]

Sneak preview of FCL dividend

by Klaus Sorensen

HAS the sharemarket made a $73 million, or even a $146 million, miscalculation in assessing the market worth of its "star", Fletcher Challenge Ltd? This question is gaining increasing currency, as more and more people try to estimate what sort of dividend the pastoral, manufacturing construction and forestry giant will pay this year.

Investors are in a tricky position in not knowing what FCL's dividend policy is. Since the merger of the three companies was mooted in October 1980 investors have, at best, been guessing at a figure and, at worst, leaving the shares alone in favour of a wait-and-see policy.

But a Society of Investment Analysts meeting a couple of weeks ago has focussed attention on the problem, and in the process also caused a minor controversy.

The analysts had Fletcher Challenge executives along for a day-long briefing at the James Cook Hotel in Wellington.

But what is annoying some is the fact that FCL came much closer to spelling out its dividend policy at that "in camera" meeting than ever in public.

The analysts hold their monthly briefings with various top executives with the commendable intention of furthering their understanding of corporate investment and presumably to impart this knowledge, when appropriate, to clients.

But this is where a grey area arises.

The analysts could be accused of using privileged information which a company executive has, in his enthusiasm, let slip at a briefing.

The analysts are obviously very conscious of this and when the *New Zealand Herald* implied the other week that the analysts had been given "the oil" on FCL and that this could have accounted for a consequent price rise, they quickly replied.

Society secretary D Chan told the *Herald*, "it is not, and has never been, a forum in which price sensitive information is expected to pass, particularly given the society's concern (as expressed in past press statements) for companies' obligations to provide information first and foremost to their shareholders to enable them to evaluate their investment."

That is all very well, but the crux of the matter is that the analysts – brokers, merchant bankers and institutional people – were given a pretty good idea of what FCL's dividend policy will be, and it seems difficult to believe that this information will not influence these people in their buying and selling of FCL shares.

One of the conditions under which the society's speakers agree to talk is that the information released is treated confidentially by all members, and naturally the analysts are not allowed to tell the media what is said at these meetings.

However, such information inevitably filters out, and *NBR* believes it now has a pretty good idea of what was said about FCL and its dividends.

When the company was first mooted the most generally accepted prospective dividend was 12 cents a share, or 24 per cent, though one or two broking firms picked 14c from the start.

But when the full merger documents were released one R C Pope, the accountant charged with the responsibility of assessing the merits of the merger, assumed a dividend rate of 14 cents, or 28 per cent.

Presumably he did not pluck this figure out of the sky, and since then the market has settled on 28 per cent as the most likely dividend.

However, then came the Society of Investment Analysts meeting.

The Fletcher executives apparently made a threefold prediction that the dividend growth rate would have to be equal to, or in excess of, the inflation rate; that it was their objective to pay between 30 per cent and 45 per cent of profits out to shareholders; and, lastly, that a dividend of no less than 14 cents a share would be paid this year.

It didn't take the analysts long to do a little mental arithmetic while they sat at the briefing – and a number of them deduced that FCL must intend to pay between 32 per cent (16 cents) and 36 per cent (18 cents) this year – a considerable increase over the then market expectation of around 28 per cent.

But there are many intangibles in assessing the giant's dividend prospects.

Firstly, the company's suggestion that between 30 and 45 per cent of profit will be paid out must be calculated on the basis of estimated earnings. Estimates of FCL's profit for the current year range between $90 million and $115 million, though a number of forecasters lean more towards the $100-115 million end of the range.

Another intangible is the fact that Fletcher Challenge will not in fact report a profit for a full year, until the June 1982 year. This is because with a June 30 balance date the company will only have been trading for six months by June 30 1981, and by December 31 1981 will still only report results for the six months to that date.

Current FCL ordinary capital is 207 million 50c shares, but in addition, there are still two lots of preference shares, one from Challenge and one from Fletcher, due to convert in 1985.

Assuming the conversion to ordinaries of these shares the total capital of FCL would be 226,887,309 shares or $113.4 million.

This provides a 44 cents a share return from a profit of $100 million and a 50.6 cents return from a theoretical profit of $115 million.

According to *NBR's* calculations a 30 per cent distribution of profits equivalent to 44 cents a share would provide a 13.2 cents a share payout.

A 45 per cent distribution of 44 cents a share earnings would lift the dividend to 19.8 cents, or nearly 40 per cent.

Using the 50.6 earnings a share figure a 30 per cent distribution would yield a 15.18 cents dividend and a 45 per cent distribution would provide shareholders with a 22.77 cents a share divvy.

For the purposes of this exercise let us assume that the current FCL share price of around 240c is based on a general market expectation of a 14 cent per share dividend.

On that basis the dividend yield is 5.83 per cent.

NBR has taken two general "mean" dividends of 16 and 18 cents for the current year, and, assuming that the market feels a dividend yield of around 5.8 per cent is appropriate for the giant, then FCL shares would be worth 275c if the company pays 16 cents, and 310c if it pays the higher 18 cents a share.

The current market capitalisation of the 207 million Fletcher Challenge shares is around $496 million, but if the shares are "worth" 275c, the capitalisation could rise to $569 million, and at 310c, the company's sharemarket worth would jump to $642 million.

In the first case a difference of $73 million on the current capitalisation, and in the latter a difference of $146 million.

While all this is theoretical, it emphasises that investors – and the Society of Investment Analysts – are talking about big money.

Some brokers maintain the market has accurately assessed the worth of Fletcher Challenge shares and this presumably means the current share price is based on a 16 or 18 cent a share dividend payout.

In that case they are saying Fletcher Challenge shares should trade on a yield of between 6.66 per cent and 7.5 per cent, when the dividend is declared.

But that doesn't tally with the market's attitude towards NZ Forest Products.

The former "numero uno" of the sharemarket paid 18.5 cents a share last year and at the current shareprice of 390c the yield is 4.74 per cent.

But to be consistent, we must assume the market has made an assumption of what Forest Products will pay this year.

Therefore if NZFP pays a raised 20 cent dividend the market is talking of a 5.12 per cent yield, while a 22 cent dividend would provide a 5.64 per cent yield at 390c.

In other words FCL would still be selling at a "discounted" price, compared to NZFP.

All very confusing.

Fortunately it is understood that the old Challenge Corporation part of Fletcher Challenge will be making a half-year profit report to the Stock Exchange on or about April 1.

This is because the Challenge shares were still listed as at December 31, which is the company's half-year balance date (the other two companies in the group both had September 30 half years), and the company is consequently obliged to make a report to the exchange.

It is rumoured that at the same time the company will take the opportunity to make some statement on its dividend policy – and that will be to everyone's great relief.

Energy loans turned down by America

The United States has told the World Bank it cannot support the creation of an energy-lending affiliate of the bank.

Leaders at the Venice summit in 1980 had called on the bank to study the possibility of establishing such an institution as a means of expanding its support for energy exploration and production in developing countries.

Colbert I King, US executive director of the bank, told the bank's executive board last months the United States could "neither support the creation of, nor paticipate in, a new energy lending institution affiliated with the World Bank.

Finance

Diagnosis: only fair . . . stiff treatment prescribed

by Klaus Sorensen

THE latest PA Management Consultants Ltd survey on New Zealand company profitability reads like a medical report.

And the diagnosis seems to be that the patient is in an "only fair" condition.

Some of the main complaints include a decline in productive use of assets, falling effective tax rates due to incentives which are helping to prop up earning rates, and a gradual erosion in the proportions of dividends paid to shareholders.

But the cure is uncompromising.

PA Management Consultants prescribes the abolition of export incentives, positive action on inflation, a cessation of the "endless 'fine tuning' and stop-go re-election tactics", and lower personal taxation.

Author of the report is PA's senior consultant Bernard Ivory, who also prepared the original report into company profitability in August 1979.

Since that report the return on shareholders' funds has declined from 10.3 per cent to 10.2 per cent and "there is nothing new to add, we regret to say, except ... the need for decisive action remains."

In his conclusion Ivory says "the recent economic history of the private corporate sector of the economy makes sad reading.

"It is a condemnation of long-standing Government economic policies and of attitudes of management, labour and indeed, the electorate as a whole," he says.

"Clearly fundamental changes are required if profits, output, employment and non-farm exports are to be significantly increased.

"Resumption of real growth in economic welfare requires a larger and more productive private sector, both farm and non-farm. Growth and increased productivity require both investment in productive assets and in research and development (not least of which is in the field of modern microprocessor technology) and better utilisation of existing assets."

He says increased farm output will earn foreign exchange but will not increase job opportunities significantly, unless accompanied by increased investment and productivity in the industrial, transport and distribution sectors.

Investment in these areas must be made more attractive by increasing returns relative to inflation.

He suggests five main measures:

- "Acting positively on the locally controlled causes of inflation, notably national and local government expenditure and a monopolistic labour market";
- "Forcing increased efficiency and realistic wage demands on the import substitution sectors through progressive devaluation and abolition of import controls and other restrictions on competition for resources and markets";
- "Reducing the impact of regulations on the time required to get new projects revenue-producing and on business costs generally";
- "Imposing a lower uniform company tax rate" (which implies abolishing most incentives); and
- "Permitting investors to base depreciation on replacement cost, for example, by allowing the present value of lifetime depreciation in the year of acquisition of fixed assets."

But Ivory also claims investors need to be assured that consistent policies will be applied, to reduce the uncertainties caused by the endless "fine tuning and stop-go re-election tactics".

He says this implies defining some realistic long-run national economic goals and supporting strategies relevant to business "and adhering to them for a sufficiently long period for them to attain credibility".

But measures to encourage investment must be accompanied by moves to attract skilled personnel.

Ivory suggests internationally competitive salaries and conditions, lower personal tax, and more freedom of discretionary spending.

The survey itself found that for the 1978/79 year the return after tax on shareholders' funds again fell to 9.6 per cent, which is the lowest rate since 1971-73 when 9.5 per cent was earned.

This data shows two post-election peaks, to just under 11 per cent in 1976 and 11 per cent in 1979.

But the return has in fact fallen steadily since 1976, though it will no doubt show some sign of recovery by the end of this election year.

The long-term trend in average pre-tax and pre-interest returns on total assets has also continued to decline, at a rate around 1 per cent a year compound.

Listed public companies returned 8.8 per cent, compared with 8.1 per cent in the previous year.

Proprietory ratios have remained "remarkably" stable, but still reflect the fact that inflation transfers wealth from lenders to borrowers.

Shareholders' interest in total assets of listed public companies by the end of 1979 slipped slightly to 46.3 per cent compared with 48.4 per cent in 1970/71 and 46.7 per cent in 1971/72.

Tax rates have still remained well below the 45 per cent nominal rate, though the increases in 1978/79 for listed public companies from 26.[illegible] cent (60 per cent of the nominal rate) to 33.1 cents in the dollar, equivalent to 74 per cent of the nominal rate.

However, Ivory believes the sudden jump may be due to the once only Stock Valuation incentive scheme having lowered the earlier figures.

Information on the allocation of pre-tax and pre-interest profits shows dividend and interest on debt requirements were largely unchanged, taxation increased and a lower proportion of operating profits were available for reinvestment.

In the face of all this, dividend payment rates have shown a slight increase from [illegible] per cent to 4.2 per cent of shareholders' funds.

But Ivory is quick to point out that in the first half of the decade the proportion was in excess of 5.2 per cent.

He concludes from this that dividend rates are seriously overstated in the face of fine tuning and substantial debasement of currency values, and "shareholders' funds have not been restated in dollars of the same debased purchasing power as dividends."

Stock Exchange weekly review

FOR WEEK FRIDAY MARCH 13 TO THURSDAY MARCH 19

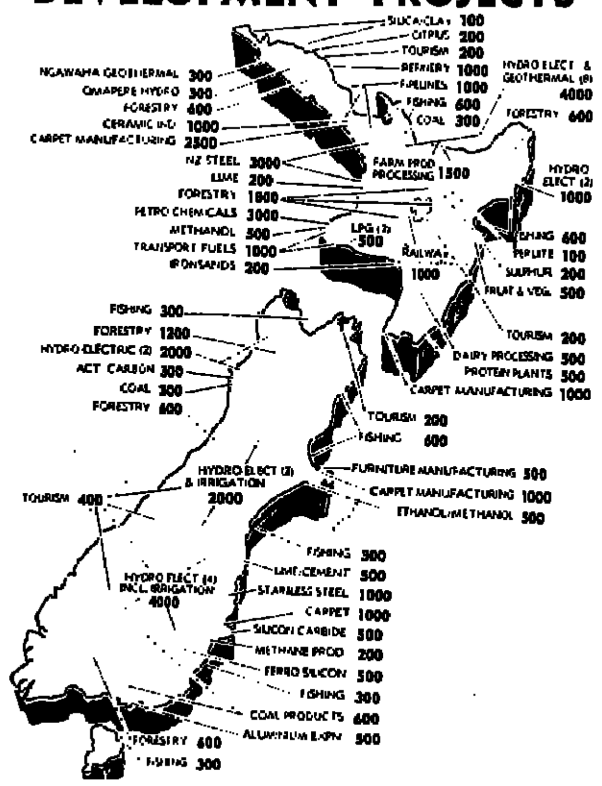
	Last sale	Week's high	Week's low	Turnover
ACMIL	195	195	193	1300
AIRWORK,50C	135	135	135	10400
7.5% PR	...	...	...	0
6% PR	...	...	...	0
AJAX G.X.H.	325	325	320	1800
A.J.WHITE	125	...	...	0
11.5% CONV PR	105	...	...	0
ALCAN,50C	215	215	215	1300
A.H.I.	233	233	227	12100
ALLIANCE,50C	92	92	88	33000
12% CONV PR	75	75	70	8600
ALLFLEX	116	117	115	11200
ALLIED FARMERS	365	365	355	4600
12% CONV PR	360	...	...	0
ALLOY STEEL	210	...	...	0
A.M.BISLEY, 50C	260	260	255	2800
AMPOL PET.,50C	264	264	264	1900
CON PR	225	...	...	0
A.BEAVEN	152	152	138	23500
11% CONV NTS	150	...	...	0
11.5% CONV PR	130	130	120	49700
AMDAS GROUP	142	142	140	2500
5-6.5% PR	95	...	...	0
12% CONV PR	112	112	110	900
ANZ BANKING GROUP	287	290	277	35100
A.WRIGHT	325	325	325	100
"A" 6-7.5% PR	80	...	...	0
"B" 5-6% PR	60	...	...	0
A.BARNETT	256	256	256	600
A.ELLIS	40	...	...	0
ASHBY BERGH	340	...	...	0
A.D.CABLES	270	270	270	100
ATLAS, 50C	34	34	31	52500
10% CONV PR	32	...	...	0
AUCK.GAS	510	510	500	3400
AURORA,50C	200	200	195	7200
10% CONV PR	260	...	...	0
14% CONV NTS	145	...	...	0
CONV NTS '84	150	...	...	0
A.C.I.	270	...	...	0
AUTOCRAT HOLDS	205	205	195	28500
BAILLIE,50C	75	75	70	2200
BALLINS,50C	96	96	95	55700
11% CONV PR	84	84	79	6600
BANK NSW	465	465	465	300
BEACH PETR.,50C	300	...	...	0
BING HARRIS, 50C	82	86	82	9800
B.N.Z. FINANCE	315	315	315	1400
BRIDGEVALE,50C	200	...	...	0
BRIDGEVALE MINING	112	112	100	37700
BRIERLEY, 50C	428	437	415	206950
12.5% SPEC PR	255	...	...	0
BOS, 50C	65	65	65	2800
B.H.P., 200C	2100	2150	2025	2595
BROTHER, 50C	80	80	80	1000
BUNTING,50C	130	130	127	5000
BURKES CAT.,50C	160	...	...	0
C.P.D.	302	305	285	25800
7-9% "A" PR	...	...	...	0
5% "B" PR	...	...	...	0
10% CONV PR	280	280	260	4500
C.F.C.A.	230	...	...	0
11% CONV PR	175	...	...	0
C.F.M.	270	270	267	3300
12% CONV PR	182	182	180	800
CANT.FLOUR	220	...	...	0
CANT.TIMBER	370	370	360	3900
12% CONV DEB	345	345	340	6100
CAPITAL RADIO, 25C	120	120	120	100
CAPITAL LIFE,50C	80	80	80	730C
CARBONIC ICE	280	...	...	0
CARTER HOLT	422	422	395	26650
CBA FINANCE,50J	250	250	235	17100
CCL	235	235	225	9500
CERAMCO	242	242	235	54600
12% CONV PR	110	110	105	400
CON PR 16%	98	...	...	0
16% CON PREF	400	...	...	0
CHENERY	275	275	260	1900
CH'CH.GAS	300	300	290	7000
CH'CH PRESS	270	270	270	800
CITY REALTIES,10C	48	50	48	45700
CLYDE GROUP	115	115	112	8000
12% CONV PR	100	100	100	300
COLLINGWOOD,50C	44	44	44	600
13% CONV PR	38	...	...	0
COL.MOTOR	238	...	...	0
CON NTS 10%	135	...	...	0
COLYER WATSON	110	110	100	65700
CONALCO,50C	615	615	615	250
COMMAND	160	160	160	600
COM.METAL,50C	170	170	154	336200
CON.SILVER,4C	14	14	12	40600
COOKS WINE	130	130	125	10300
CORY-WRIGHT	145	145	145	700
12% CONV PR	120	120	114	300
16.25% CONV PR	114	...	...	0
CROWN CONSOLIDATED	215	215	212	29100
11% CONV PR	195	195	195	1400
C.S.R	910	...	...	0
CYCLONE,50C	290	...	...	0
DALGETY(N.Z)	262	265	260	23500
DALHOFF & KING,50C	65	65	63	8900
DEANES	140	140	140	200
D.I.C	208	208	205	28800
12% CONV PR	150	...	...	0
DINGWALL & PAULGER	250	250	250	4700
D.MCL WALLACE,50C	118	125	115	21000
12% CONV NTS '79	...	...	...	0
11% NTS '82	115	115	115	700
8% CONV NTS	85	88	85	2100
D.I.B.A	68	...	...	0
DOM.BREW.,50C	120	120	120	2599640
11% CONV PR	75	75	75	577270
DONAGHY'S	285	285	285	5800
12% CONV PR	320	320	315	400
D.R.G.,50C	110	110	100	1600
DUNLOP (NZ)	370	375	370	2800
6.5% PR	55	...	...	0
EBBETT	140	140	140	100
EDS,50C	115	115	115	1100
0000000000000000000000				0
E L'STEIN,50C	318	318	316	4800
EMPEROR MINES,10C	20	...	...	0
ENDEAVOUR	172	172	170	5000
E.ADAMS	200	...	...	0
EUROPA PREF NT	90	...	...	0
F.T.C.,50C	110	110	102	31800
11% CONV PR	92	92	92	2900
F.WAIMAV,50C	95	95	95	300
FELTEX,50C	163	165	161	181000
5% PR	172	...	...	0
16% PR	173	175	173	3700
FIRESTONE NZ	120	122	120	15700
FISHER & PAYKEL	228	228	220	108200
FLETCHER-CHALLENGE	240	240	231	413800
15% CONV PR	100	100	100	1600
16% CONV PR	420	420	420	2600
FOUNTAIN CORP	110	110	110	3500
FREIGHTWAYS, 50C	188	188	185	8100
10% CONV PR	132	132	132	200
GEAR	52	53	52	3900
13.5% CONV PR	50	50	50	100
GEN.FINANCE	200	...	...	0

	Last sale	Week's high	Week's low	Turnover
G.COURT	135	135	135	500
G.J.COLES,50C	277	...	...	0
GOLDEN BAY,50C	65	65	61	62100
GOODMAN GROUP	345	345	345	3300
14% CONV PR	270	270	270	200
GROSVENOR PROPS, 25C	50	55	50	3300
HALLENSTEIN	268	268	265	2800
HAURAKI ENTERPRISES,25C	140	140	140	200
HAWKINS,50C	83	85	83	19700
6.5% PR	...	...	...	0
H.B. FARMERS	275	275	270	3600
13% CONV PR	185	...	...	0
HAYWRIGHTS 5 PREF	65	...	...	0
HEALING	282	285	275	13600
10% DEB	...	...	...	0
12% CONV PR	265	265	265	300
H.POLLARD	355	360	355	6400
10% CONV PR	225	225	225	900
HENRY BERRY,50C	178	180	170	11800
10% DEBS	235	...	...	0
HOLEPROOF	270	270	270	100
HOOKER,50C	73	...	...	0
HUME INDUSTRIES	120	...	...	0
5-7.5% PT PR	42	...	...	0
10% CONV DEBS	115	...	...	0
I.C.I.(AUST)	155	...	...	0
I.C.I.(NZ)	202	202	200	14700
IND BROADCASTING	115	...	...	0
INDEPENDENT NEWS	185	185	180	8900
IND.CHEM,50C	202	202	190	5000
INTERTASMAN NZ,50C	...	...	...	0
I.W.DON,50C	262	262	257	2300
JAMES AVIATION	325	...	...	0
JAMES SMITH 50C	83	83	83	900
14% CONV PR	55	55	55	500
J.E. WATSON	380	...	...	0
12% CONV PR	295	...	...	0
J.BURNS	99	100	98	44100
12% CONV PR	195	195	195	2300
JOHN EDMOND	235	...	...	0
J.WEBSTER 50C	62	62	58	9800
12% CONV PR	45	45	45	2500
J.MERCER INDS., 200C	70	...	...	0
5.25-6.25% PR	...	...	...	0
J.NATHAN	125	...	...	0
6.5% PR	125	...	...	0
11% CONV DEBS	140	...	...	0
J.RATTRAY	230	230	230	3600
12.5% CONV PR	155	155	155	1200
KEARNS-OATINA, 200C	210	...	...	0
L.W.RUDKIN,50C	71	72	70	57800
12% CONV PR	108	108	106	5600
LANES,50C	45	45	43	3200
L.D.NATHAN	220	222	220	30500
9.5% CONV DEBS	210	...	...	0
CONV PR	202	205	202	5800
LEYLAND,50C	155	...	...	0
LION, 50C	125	126	125	83400
10% CONV PR	122	122	120	1100
12% CONV PR	105	105	105	1100
L.&M.OIL,50C	42	46	42	67800
LUSTEROID	205	205	205	400
MAINZEAL CORP,50C	160	160	157	2600
15% CONV PR	75	...	...	0
MAIR,50C	275	275	260	2200
11% CONV PR	230	...	...	0
MANAWATU,50C	110	...	...	0
MANTHEL	175	...	...	0
MARAC	385	385	375	1700
MCALPINE,50C	84	84	82	7100
MCKECHNIE	225	225	225	300
MIDLAND	200	200	200	4400
11% CONV PR	172	172	172	1500
MIN.RESOURCES,20C	80	80	60	94400
M.O'BRIEN,50C	58	63	58	91000
12% CONV PR	50	50	50	100
SPEC PR	55	55	55	16500
MONTANA,50C	147	152	146	96400
N-P.I.M.	195	...	...	0
11% CONV NTS	170	...	...	0
13% CONV PR	3	...	...	0
MOTOR HOLDS.,50C	153	155	150	14600
12.5% PR	87	...	...	0
MOTOR TRAD.,50C	65	67	65	20600
5-6% PR	46	...	...	0
11.5% CONV PR	57	57	57	1300
MSI CORPN,50C	100	102	100	26800
12% CONV PR	100	100	100	400
MT.COOK	175	175	165	20500
N.I.M.HOLDS.,50C	569	...	...	0
NAT.INSCE, 50C	235	235	230	40400
NATIONAL TRADING	...	...	...	0
8% PR	...	...	...	0
NAYLOR	150	...	...	0
5% PR	30	...	...	0
NEIL HOLDINGS, 50C	59	60	55	51700
N.Z.CEMENT	125	125	120	9000
N.Z.F.C.,50C	127	128	127	23700
11% CONV PR	115	115	115	100
N.Z.FARM FERT.	195	195	195	16100
12% CONV PR	170	170	170	700
14% CONV PR	155	155	155	1700
N.Z.F.P.	388	390	383	96550
N.Z.I.G.	410	415	410	4950
5.5% PR	60	...	...	0
N.Z.I.	377	385	372	50350
10% CONV PR	270	270	265	11300
N.Z.LAND,50C	25	25	25	3900
N.Z.LEATHERS	45	45	45	2930
N.Z.MOTOR BODIES	75	75	75	3000
N.Z.M.C	165	165	163	108800
N.Z.NEWS	212	214	212	39500
N.Z.PETROL,50C	710	710	675	8600
N.Z.REFINING	130	130	130	12900
N.Z.STEEL	200	204	198	19800
N.Z.UNITED	675	...	...	0
NIVEN INDUSTRIES	105	...	...	0
NUHAKA	300	360	290	900
ODLINS, 50C	91	93	90	79300
"A" 6% PR	68	...	...	0
12.5% CONV PR	65	70	65	61500
"B" 13% CONV PR	67	...	...	0
OPTICAL HOLDINGS, 50C	58	60	58	2700
12% CONV PR	45	45	45	3300
OTAGO PRESS & PROD	135	135	135	200
PAVROC HOLDINGS	228	228	228	1200
CONV	120	...	...	0
P.D.L.HOLDS,50C	188	188	188	1300
PERM.INVEST	85	...	...	0
PHILLIPPS & IMPEY,50C	144	145	140	15800
PRINT & PACKAGING	200	202	197	11100
11.5% CONV PR	185	...	...	0
PROGRESSIVE	480	486	480	21950
12% CONV PR	890	...	...	0
PROP.SECURITIES,50C	190	195	190	2500
PRUD.BUILDING	125	...	...	0
QUILL MORRIS,50C	115	...	...	0
12% CONV PR	100	...	...	0
RADIO AVON, 25C	135	135	135	1500
RADIO OTAGO	100	...	...	0
REGINA	128	128	128	200
R & W HELLABY	165	175	165	4600
REID FARMERS	340	...	...	0
REPCO(NZ),50C	82	83	82	12000

	Last sale	Week's high	Week's low	Turnover
10% CONV DEBS	92	...	...	0
REVERTEX	290	...	...	0
REX CONSOL.	160	160	160	1600
CON PR	160	...	...	0
RHEEM,50C	175	175	175	900
RICKSTAN,50C	242	...	...	0
ROTHMANS,50C	140	140	132	55300
R.W.SAUNDERS	270	270	270	400
SALMOND	200	200	195	52800
SANFORD	290	290	290	800
PR	100	...	...	0
12% CONV PR	240	...	...	0
12% "B" CONV PR	210	210	200	1700
SCHOFIELD	135	135	130	2500
SCOTT,50C	93	93	92	34200
12.5% CONV PR	65	...	...	0
SELBY	300	300	300	200
SKELLERUP,50C	355	355	340	9200
5-7.5% PR	37	...	...	0
SMITH BIOLAB,50C	172	172	140	11000
12% CONV PR	140	140	140	10600
SMITHS C.M.	147	147	147	91400
STH. BRITISH	418	430	410	56150
STHN. CROSS HOTEL	150	...	...	0
STHN CROSS MINS.,20C	50	52	42	33500
S.F.M.	218	220	216	18400
SPEDDING, 50C	73	74	62	166800
12% CONV PR	88	90	88	34100
STEEL & TUBE, 50C	116	106	116	842500
SUCKLING	165	...	...	0
TAYLORS	135	...	...	0
12% CONV PR	122	...	...	0
TELTHERM	137	140	137	2900
12% CONV PR	120	...	...	0
T J EDMONDS	290	295	290	2500
TOLLEY	165	165	155	6100
TOUR FIJI	35	...	...	0
TRANS ASHBURTON, 50C	56	...	...	0
TNL GROUP, 50C	105	107	101	86400
10% CONV PR	82	82	82	600
12% CONV PR	81	...	...	0
TRANS (NTH. CANT.)	120	120	120	500
13.5% CONV PR	46	46	46	200
15% CONV PR	95	...	...	0
U.D.C.	147	...	...	0
U.E.B.,50C	104	104	103	30900
6.5-7.5% PR	115	...	...	0
12% CONV PR	90	92	86	2200
15% CONV PR	60	62	58	8900
UNITED STEAM SHIP	82	...	...	0
5.5% PR	75	...	...	0
UNITED BLDG	107	...	...	0
UNITED PUBLISHING,50C	270	270	260	17400
VACATION,50C	68	68	64	29200
12% CONV PR	55	55	55	10500
12.5% CONV PR	50	...	...	0
WAITAKI-NZR	215	216	212	110400
11.5% CONV PR	180	180	180	1100
12% DEBS	165	...	...	0
WALKER & HALL	460	460	460	1000
WATTIE,50C	151	153	147	102500
12.5% CONV PR	90	90	86	6300
WELGAS	430	430	430	400
WESTBRIDGE	215	220	215	300
WILKINS & DAVIES	280	280	280	500
5.75-7.5% PR	60	...	...	0
W.JEFFERY	185	190	184	16350
12% CONV PR	120	...	...	0
WILSON & HORTON	435	435	415	23750
WILSON DISTILLERS	125	128	125	1900
WILSON NEILL	115	120	112	15500
12% CONV PR	140	140	140	900
WINSTONE,50C	68	68	67	299000
12% CONV PR	50	52	50	25700
W'WTHS (NZ) PROPS, 200C	74	74	74	1600
5.75% PR	72	...	...	0
W'WTHS AUST, 50C	245	...	...	0
WORMALD	275	280	275	24700
5-7.5% PR	100	...	...	0
W.R.CARPENTER,50C	246	...	...	0
W.SUTHERLAND	110	110	110	600
YATES CORP	440	440	435	4900
CONV PR	170	170	160	1300

National development

DEVELOPMENT PROJECTS



Labour 'thinks middle-sized'

by Colin James

IS it Labour Party policy or not? Taupo MP Jack Ridley was set to unveil at Cromwell on Saturday night a 100-project scheme for eliminating unemployment without thinking too big.

He has prepared a map — reproduced here — suggesting where the projects might be located and the numbers of jobs they might produce.

When Ridley approached me at a regional Labour Party conference at Rotorua to seek publicity for the map and a press release he had prepared, he insisted it was official. Both the Labour parliamentary caucus and leader Bill Rowling had approved it, he said.

His press release said he had been "chosen to launch this aspect of Labour's plans for the 1980s".

And at the conference Rowling referred to the work in his keynote speech to delegates.

But a casual mention of Ridley's plan to Rowling staffers later last week as *National Business Review* prepared to publish it brought a panic-stations reaction.

Hurried toll calls to a distant Rowling brought an official statement which they insisted *NBR* run, that Ridley's list was "in no way official Labour Party policy at this stage".

Rowling said a great deal of work was being done within the party on Labour's economic programme "and Mr Ridley is playing a leading role in that work because of his immense experience as one of New Zealand's leading engineers.

"However, the material has not yet been drawn together for final consideration and has not been finally discussed by the Labour Party's official policy institutions." Labour's alternative economic options would be presented mid-year.

Ridley was unrepentant. He insisted he had authority to make his announcement and the next morning he obtained Rowling's signature to a revised version of his press release, which, however, referred to his list as an "initial concept".

The Rowling staffers may have overreacted. Even in the original, Ridley's list was accompanied by a disclaimer of sorts from Ridley himself, to the effect that the projects mentioned in it were indications of an approach rather than in each case a specific commitment by the party.

"The specific projects as described below are those which on present information are the most likely to receive priority and give balanced regional development," he said.

The list includes some schemes either planned by or in line with Government thinking.

So its projected 50,000 jobs direct and another 150,000 jobs through associated service industries and small businesses are not a net gain over and above what a National Government envisages.

Ridley starts with electricity, listing 20 schemes, including four geothermal projects, the Upper Clutha system now under way and a host of smaller central and local government projects — ironically at a time when Energy Minister Bill Birch has called a temporary halt to schemes planned for smaller rivers pending new legislation.

Ridley then goes on to mineral development: expansion of New Zealand Steel at Glenbrook, Taharoa and Waipipi; ferro-silicon and stainless steel plants near Dunedin; coal products including activ[ated] carbon for the South Isl[and]; expansion of the Huntly c[oal] field into Ohinewai; le[...] cement, silicon-carbide, c[e]ramic and glass indus[tries] based on limestone and [...] silicon deposits in South[land] and sands and clays in Nor[th]land; expansion of the Ti[wai] Point smelter (already [ap]proved by the pre[sent] Government, but Ridley wa[nts to] have it as a joint venture).

His only comment on t[he] Fletcher-Alusuisse sme[lter] planned for Aramoana, ne[ar] Dunedin, is that if it goes ahe[ad] Labour would renegotiate t[he] power price.

Ridley is less specific [on] gas-based projects, sayin[g] "Rapid extension of t[he] pipelines, expansion of t[he] refinery and production of g[as] and liquid fuels are all of fi[rst] priority. Petrochemical ind[us]tries are many and varied [...] some more useful than the ca[...] plant already embarked on [...] be encouraged by Labour."

In a note he argues fo[r] keeping options open o[n] whether to go on past t[he] methanol stage "until all oth[er] alternatives to synthetic pe[trol] are proved inadequate".

Forestry — an area where t[he] present Government has be[en] active — also catches Ridle[y's] eye.

He would encourage fore[stry] in Northland, East Cape, N[el]son, Canterbury and Otago a[nd] allow limited indigenous fo[rest] exploitation on the West C[oast] and in Southland.

Fishing is another area whe[re] the present Government h[as] been active and Ridley is kee[n] on that, too, selecting as th[e] main areas for expansion th[e] Thames Estuary, Nelson, Gis[borne], Bluff and the Canter[bury]-Kaikoura coast.

Exports

No 'snap, crackle and pop' in award

by Klaus Sorensen

A DECISION by the giant Australian cereal processor, Kelloggs, to pull out of New Zealand has taken some of the shine off an export award presented to the Gisborne grain merchant, Thos Corson Holdings Ltd.

Agriculture Minister Duncan MacIntyre presented Corsons with the Trade Promotion Council's award on March 12 — two days after Kelloggs, one of Corson's main local buyers for the processed maize, announced its decision to quit New Zealand.

Corsons received the award for exports exceeding $1.5 million in the 1980 year. This included exports of refined corn sold to the cereal and snackfood trade.

The Kelloggs closure will hit 40 per cent of the production from the company's Gisborne manufacturing plant, at a time when the company is mounting a big sales push to sell popcorn to the United States.

But Corsons will not just be hit by the lost flaking grit business, the Gisborne company also buys and stores maize on Kellog's behalf and so will lose out here as well.

Corson director John Corson told *NBR* last week it was indeed "unfortunate" that Kelloggs had decided to cease manufacturing from May 31.

He said flaking grits — the basic ingredient in Kelloggs "snap crackle and pop" cornflakes — made up 40 per cent of the production of Corsons *Gisborne* cereal processing plant, and confirmed the company was now faced with the task of finding another market for this excess production.

Corsons installed the plant at Gisborne to refine the corn for the cereal and snackfood trade, and Corson said that had the company not recently diversified into the snackfood side, as well, the Kelloggs closure would have been much more serious.

"It's not a blow," Corson said of the Kelloggs decision — but it is unfortunate since we have had a long association with Kelloggs — it's certainly disappointing."

He said he thought Corsons had been supplying Kelloggs between 11 and 12 years.

The plant manufactures two sorts of grits, the relatively larger flaking grits for cornflakes, and the smaller snackfood grits used for popcorn.

But Corson said his company was taking a positive approach to the closure and he thought it may eventually lead to other, just as successful, opportunities.

The company was "exploring all avenues" to find a replacement buyer for the flaking grits. But Corson said it was not feasible to export to the Australian market because Australia had flaking grit plants of its own.

Corsons, which was founded in 1902 by grandfather Thomas Corson was a manufacturing agency, now exports stockfood, grain, fresh fruit and vegetables, flowers, machinery as well as the processed cereals and snackfoods.

Raw maize and finished products ... now cornflakes are off the menu.

Award

COMALCO Extrusions, an AHI-Comalco joint venture, was presented with the Trade Promotion Council's export award last week.

The Auckland-based manufacturer, set up in 1970 to supply the local market with downstream products from the Comalco smelter, more than doubled its 1979 exports of architectural aluminium extrusions to $6 million — or 24 per cent of total sales — last year.

The company hopes to increase export sales to 40 per cent of total sales in future.

Media

Four-way battle for the 'glossy' market

by **Lindsey Dawson**

A MONUMENTAL magazine battle is looming in Auckland, as four publishers lay plans to produce glossy magazines.

All four are aiming their publications at the sort of market lucratively tapped by the American "city" magazines, although they will vary in emphasis. They will be on high-quality paper, featuring plenty of colour, and most are geared for "up-market" people aged between 25 and 40.

May 7 will see the launching of South-western Publishing's *Auckland Metro*. Details are sketchy yet, but it will be edited by former *Auckland Star* feature writer Warwick Roger, who has pulled in plenty of journalism awards in recent years.

Plans are to produce between 120 and 150 pages.

"We see it as falling somewhere between *Sydney City Monthly* and *Los Angeles* – it'll reflect Auckland and its people," said director Bruce Palmer.

South-western produces the *New Zealand Runner*.

"People said we'd never make a go of it but our circulation's up to 11,000, and this new magazine is part of a plan to extend activities," Palmer said. Several good writers were already committed to work for the magazine.

Aiming for June publication are *Headway*, from Nielson Publishing Ltd, and the *Gourmet Entertaining Guide*, from Miranda Faire Publishing Ltd.

Headway is already on the market as a professional hairdressing magazine, and the plan is to expand it to include more general features.

Once again, it's aimed at the more affluent reader, interested in fashion, beauty, lifestyle, decorating and food. It will be of general interest, not just a woman's magazine, said editor Jill Malcom, a freelance journalist.

Miranda Faire, a member of the wealthy Cropper family, is a newcomer to publishing. She is putting in her own money.

"I had $40,000 put aside and I prefer to do it all myself without being tied up with other people," she told *NBR*.

When we phoned, Faire said she had "just been out by the swimming pool looking at *Architectural Digest*"; she believes that the high-class sort of advertising featured in the *Digest* is readily available in New Zealand.

"We have so many good photographers and marvellous food and I believe the time is right for a vehicle to show them off."

She has lived overseas, and attended Constance Spry and Cordon Bleu schools in floristry and cooking in London.

Her *Gourmet Entertaining Guide* will have an emphasis on cooking and entertainment, and will feature interviews with well-known New Zealanders on how they do their partying, including Graeme Thorne – "who's a marvellous cook".

The magazine, which will sell for $4, will have a 32-page colour section. "We are becoming a sophisticated and status-conscious country and I'm sure that there's a market for this sort of publication," said Faire, who used to run a business with friends catering for directors' lunches.

She said she has had tremendous interest from advertisers, and has been "swamped with copy" from contributors.

Also lining up for the great magazine race and expecting to be on the bookstalls later this year, is an Auckland magazine from the New Zealand Magazine Publishing Company.

Director Peter Webb is advertising in New Zealand and overseas for an editor and advertising manager. The publication's name has not yet been decided.

Webb said the magazine publishing business was risky – "it's all very well doing the first issue but sustaining it is the problem" – but, like the others in the field, he believes the time is right for a sophisticated magazine.

The New Zealander Publishing Company may start an Auckland magazine later this year, and publisher Alister Taylor has advertised for an editor both here and overseas.

But the venture depends on the success of the next issue of the *New Zealander*, due out in April.

"Our next issue will have much more guts and verve and panache and our planning depends on the response we get," said Taylor.

Business press in business battle of its own

by **Robin Bromby**

BUSINESS magazines in Australia are fighting each other for readers and the advertising dollar.

A year ago there was only one business publication of note, the five-day-a-week *Australian Financial Review*. With a circulation of around 50,000 it was one of the major money-makers of the John Fairfax newspaper stable.

Such was the eagerness of its advertisers that the paper's large editorial staff was stretched trying to fill all the news space made possible by the paid lineage.

The paper closed down for four weeks during the 1980 journalists' strike. The first few issues when publication resumed were probably the thickest in the paper's history, because so many companies were wanting space.

The *AFR* is still the top business paper in Australia. But others are trying to get into the act.

They are trying to cash in on the apparently insatiable appetite in Australia for information about money-making. A paper or magazine – even women's magazines as well – need only promote an article along the lines of "How to make real money out of collecting", or "Where the real profits are in real estate" to put on several thousand readers.

The national daily, *The Australian*, last year added a new separate section, "The Financial Australian", five days a week. It includes a weekly computer feature which can run to five or six broadsheet pages. This draws in a volume of advertising which must have gone far to eliminate *The Australian's* losses.

Then Kerry Packer's Australian Consolidated Press entered the fray in mid-1980 with *Australian Business*, a glossy, attractive fortnightly. It goes big on profiles of businessmen, finance gossip and features a full colour section on collecting, from coins to Persian carpets.

Its circulation figures have yet to be released, but all the reports are that *Australian Business* has secured a satisfactory readership. And, after a shaky start, its advertising content has begun to grow.

Packer's plans, when they first became known, threw the bosses at the Fairfax organisation into a panic. In what can only be described as a knee-jerk reaction to a development in which someone else was trying to hone in on their golden goose, they decided to beat Packer to the punch.

Business Review was born, not as a separate paper, but as an insert in the company's prestige weekly, *The National Times*.

Now, after six months in that form, *Business Review* is to be launched as a weekly in its own right. Its staff had been hastily assembled from the *Australian Financial Review* and *The Age* of Melbourne, a Fairfax subsidiary.

Also competing for the finite advertising dollars are the many other magazines which have been trying to build up their investment and business sections.

Even *Solitaire*, a new magazine published by Packer for the singles market, is going in deep with features on investment, both in shares and real estate.

When will it stop? Not yet, apparently, because there are predictions that both the *Financial Times* of London and the *Wall Street Journal* will eventually produce Sydney editions by means of satellite page transmission.

The question remains whether the local market can support all these publications. The impression gained from talking to businessmen is that they do not have time to read all the material that is now being published.

For example, all the newspapers in Sydney – as well as the business magazines – have separate property writing staffs. One executive of Australia's largest property company, Hooker Corporation, complains that not only is his company unable to meet the demands for advertising business, but they simply cannot come up with enough news and features ideas to meet the hordes of business and property writers banging on their door.

His complaint supports growing evidence that the plans of the various publishers have outstripped the amount of advertising money around.

What all this probably means is that 1981 will see a furious battle between the business magazines – and the distinct possibility that not all of them will see the year out.

Agency of the year

IT was probably no great surprise to Australian admen that its prestige Agency of the Year award for 1980 was bestowed by *b & t* advertising, marketing and media weekly on the Monahan Dayman Adams.

Currently MDA is the largest, totally Australian-owned organisation of its type. It had not only experienced spectacular growth but had beaten off the challengers and consolidated its position.

In the past five years in Australia, MDA billings have grown from $8.9 million to $31.6 million and over a 10-year reach by a surprising 2295 per cent.

Additionally, MDA writes $2.5 million from Singapore and $3 million from New Zealand.

The New Zealand agency was founded in September 1977 by partners Allan Bowe and Grant Marshall with MDA Australia taking a 24.9 per cent share.

Cost of living

Living costs: We don't know how unlucky we are

Table One

	Average annual volume growth in Gross Domestic Product 1973 to 1978	Population '000 (1978)	Passenger cars per 1000 *inhabitants* (1978)
Norway	4.5	4,060	252
Ireland	3.7	3,221	175
Austria	2.8	7,510	243
Belgium	2.2	9,841	279
Denmark	1.7	5,105	265
Finland	1.7	4,755	218
Sweden	1.2	8,278	350
New Zealand	.6	3,107	383
Also			
Japan	3.7	114,898	163
Canada	3.4	23,499	388
Australia	2.6	14,249	366
United States	2.4	218,548	505
West Germany	1.9	61,310	308

Table Two

The hard facts of life in the age of tax-bracket creep. It shows the salary increase an American breadwinner (with a spouse and two dependents at home filing a joint return) must receive just to stay even in place on the inflation treadmill. If he accepts less, the breadwinner is losing ground.

	Increase to keep up with inflation		Amount that goes to federal taxes	Per cent rate of tax on raise	Increase needed to offset inflation and taxes	Per cent rise to offset taxes and inflation
$15,000	8%	$1200	$207	17.2%	$1440	9.6
	10	1500	261	17.4	1815	12.1
	12	1800	315	17.5	2190	14.6
	14	2100	375	17.8	2565	17.1
20,000	8	1600	337	21.1	2040	10.2
	10	2000	433	21.6	2560	12.8
	12	2400	529	22.0	3080	15.4
	14	2800	625	22.3	3620	18.1
25,000	8	2000	521	26.0	2725	10.9
	10	2500	661	26.4	3400	13.6
	12	3000	801	26.7	4075	16.3
	14	3500	941	26.9	4800	19.2
30,000	8	2400	741	30.9	3480	11.6
	10	3000	933	31.1	4350	14.5
	12	3600	1125	31.2	5250	17.5
	14	4200	1317	31.3	6180	10.6
35,000	8	2800	976	34.8	4340	12.4
	10	3500	1235	35.3	5425	15.5
	12	4200	1494	35.6	6580	18.1
	14	4900	1753	35.8	7805	11.3
38,000	8	3040	1092	35.9	4902	12.4
	10	3800	1416	37.3	6270	16.5
	12	4,560	1732	38.0	7600	20.0
	14	5320	2059	38.7	8930	13.5

THE them-and-us cost comparisons in our feature on the cost of living in New Zealand and the United States (*NBR*, December 15, 1980) continues to draw correspondence.

Two recent letters expand the comparisons, including one which adds fuel to the "high-price New Zealand" argument by comparing our cost of living with Australia's.

It was researched by a senior Government administrator, who asked to remain unidentified, during a recent trip across the Tasman.

His study was prompted by *NBR's* pre-Christmas article, on which he comments: "One can only hope that the unambiguous message conveyed will impinge upon that monumental complacency in matters economic our society seems to regard as a virtue."

The Australian figures were compiled during January in a Parramatta shopping complex, with Australian prices converted at $NZ1.23:$A1.

The Government official acknowledges the same caveats and tolerances as those recognised by *NBR's* American comparison.

The figures show:

The New Zealander needs $2.36 for every $1 it costs the American consumer to buy goods used in our article. On the same basis the Australian consumer would be paying out $1.76.

Thus, the normal weekly shopping costs the New Zealander 137 per cent more than the American and 35 per cent more than the Australian.

The relative proportion of income after tax necessary to buy the goods set out in the comparison is equally damning.

In New Zealand, a single man on $22,000 would have $13,225 after tax to buy the total basket set out in the *NBR* comparison, at a cost of $NZ15,885. This represents 120 per cent of the tax-paid income.

The same job in Australia would pay $30,800, with $20,020 after tax to buy the basket worth $A9087 – 45 per cent of the tax-paid income.

The American in the same job would earn $38,500, have a tax-paid income of $26,578 to buy the basket for $US6357 – only 24 per cent of the tax-paid income.

This means it would take:

- The American three months to buy the full range of goods detailed;
- The Australian six months; and
- The New Zealander 14 months.

The official's research showed fruit, vegetables and liquor was more expensive in Australia than New Zealand. Groceries and meat were within 5 per cent of price equality. But the other six groups used by *NBR* were all more expensive in New Zealand.

The whole basket was 35 per cent more expensive in New Zealand than Australia.

"Not so many years ago these relativities would have come out significantly more favourable to New Zealand," the official says.

He illustrates "our declining performance in comparison with other OECD countries with populations less than 10 million (table one).

"In terms of private consumption per capita (in 1977 US dollar prices and exchange rates), we now rank down in the bottom quartile somewhat ahead of countries like Spain, Greece, Ireland and Portugal but behind Austria and Finland.

"If self-interest will not move us then maybe national pride will."

Our second contributor is Keith Ansell, a director of Auckland insurance brokers Bowring Burgess, who has recently returned to New Zealand after living 10 years in the United States.

Figures gleaned from the prominent American business magazine *Forbes* show that a $25,000 a year employee in the United States requires a 16.3 per cent salary raise just to stay even with 12 per cent inflation, after tax. (table two). These figures are based on gross income.

"By comparison, in New Zealand a salary increase of 30 per cent is required."

Ansell writes: "Also, the higher the inflation rate in both countries, the worse off we are, owing to our much higher marginal tax rate. At a $25,000 salary level we pay 60 per cent tax on additional income, compared with about 26 per cent paid by our American competitors."

IMF credits for China

THE International Monetary Fund has approved a standby credit for China amounting to $45 million special drawing rights – the equivalent of $US550 million.

According to the *New York Times*, the fund said China also would borrow an unstated amount from the institution's trust fund.

The *Times* said the advent of China as a significant borrower at a time when other poor countries were having economic troubles "could have major implications for the world financial system."

China joined the World Bank and the fund last year.

Aviation

'Airbus' plans charter take-off by end of June

by Gordon McLauchlan

FORMER Aqua Avia director John Rutherford says he expects to bring the first load of American tourists under his "Airbus" charter scheme by the end of June.

A founder member of the Skybus project, Rutherford is a Christchurch lawyer who has withdrawn from Aqua Avia and has announced plans to run back-to-back charters between the west coast of the United States and Christchurch.

Rutherford would not give details of his associates or backers or name the charter airline involved.

But *NBR* has learnt from other sources that the "Airbus" group has been negotiating with World Airways, one of the biggest charter operators in the United States. Tentative plans have been made for the first flight out of Oakland, San Francisco, on June 16, with a return flight of New Zealand passengers on the same day.

The initial charter will be two flights each way, back to back.

Rutherford claimed to *NBR* that his backers are "substantial", but he said his lips have been "buttoned up a bit" because his associates in the new venture feel he has had too much exposure in the media.

The Ministry of Transport has confirmed that it received an initial application for a charter project between New Zealand and the United States from Rutherford and was awaiting further details which would ensure the proposed charter complied with United States and New Zealand agreements.

The decision on charters ultimately is a discretionary one by the Minister of Transport.

The ministry told *NBR* that no further word had been heard from Aqua Avia in support of any applications for charter operations under the Skybus project.

Rutherford confirmed that Innes Kelly, the man wanted for questioning in the United States for alleged parole violation, would be associated with "Airbus" but might not be a director.

Kelly was briefly a director of Aqua Avia but resigned after *NBR* questioned him about his background.

Meanwhile, the receiver of a failed Whakatane cannery called Elk Processors is looking for Kelly because of allegations that he signed up for 25,000 $1 A shares in 1979 but never paid the money.

The receiver, Doug Southwick, told *NBR* he would like to take action to recover the $25,000.

Elk Processors director Anthony Eddy said Kelly had told him he had "hundreds of thousands of dollars" in numbered Swiss bank accounts. When he signed for the shares he gave his occupation as airline pilot and used addresses in Chile and Peru.

Last year, when he was in Auckland, Kelly told a number of associates he was a Lan Chile pilot.

NBR was unable to contact Kelly but was told he had been due to leave the country on March 12.

Earlier, Rutherford had said Kelly had bought a house in Christchurch and was moving in three weeks ago. He did not know Kelly's addrress or telephone number but would pass on a message to phone *NBR*.

In his new tourism project, Rutherford said "about 6000 travel agents in the United States" would be promoting the charter flights and "we will be promoting it very vigorously through the media here".

He predicted the fare would be about one-third below the present advance payment fare on scheduled airline.

"Airbus" was looking at flights originating from Las Vegas into the South Island for a holiday and then moving on to Wrest Point, the casino at Hobart, Tasmania, and also had been in touch with UTA about the prospects of continuing on to Noumea out of New Zealand.

Rutherford said he predicted "very substantial" civic backing from Christchurch for the charter proposals.

"The Mayor and city council have already given the matter some thought, for example. Not us personally but the general principle of direct flights out of Christchurch to the west coast of the US."

Rutherford claimed to be working with Horizon Holidays, the Christchurch-based inbound tour company, and said it was "cranking up" its people to provide ground packages here "as are Newmans" and others.

Horizon Holidays operations manager Greg Treacy said he had talked to Rutherford, had made no deal but had been asked for some of the brochures to promote Horrizon's New Zealand packages in the United States.

Real estate

Auckland housing shortage at crisis point

by Lindsey Dawson

THE housing situation in Auckland for lower and even middle-income families is at crisis point.

Rental accommodation is almost non-existent, and first-home owners are finding it impossible to build up the savings necessary to find a deposit.

It's time, says Auckland City Council housing social worker Janet Brannigan, for moves to be made by the Government to ease the situation.

Dick White, managing director of the Neil Group of Companies, agrees. He says that the Government has to recognise that there is a problem.

While Aucklanders at the upper end of the income scale are moving ever upwards into more and more expensive homes, those at the lower end are finding home ownership an almost impossible dream.

"If something is not done the problem will assume enormous social proportions," said White.

He said it was a myth that New Zealanders are a well-housed nation.

"New Zealand has 30 houses for every 100 people," he said. "In the United States and the United Kingdom the figure is 36 per 100, and in the EEC countries the average is 36½ houses per 100."

The situation in Auckland was well below the national average, he said.

"Here there are only 28 houses per 100 people. In Los Angeles there are 50."

White said that the biggest problems bedevilling the young homeseeker were "the fallacies that keep on being put abroad and believed. Decision-makers in central and local government seem to latch onto superficial, glib statements and follow them as if they are carved in stone. We do have a housing problem."

Houses in the Auckland City Council area now cost an average of $48,656 — the highest in the country. The national average price for a house is $34,856.

Out in Auckland's eastern suburbs, the most expensive residential area in the land, buyers need at least $100,000 for a good, four-bedroom home. But this is not where the major problems lie, says Brannigan.

She sees the problem in human terms, as it's her job to find accommodation for desperate families with nowhere to go.

She argues that New Zealanders must be made aware that the days of everyone being able to achieve home ownership have gone.

"Consequently we are going to have to supply rental accommodation. Providing tax breaks for people to make it worthwhile for them to get back into the housing field may be the way to do it," she said.

The rental accommodation drought in central Auckland had been caused by several factors, Brannigan pointed out. "There has been massive disinvestment by landlords because they can no longer get a decent return on their investment.

"The fuel crisis scare has brought people back into the city, creating extra pressure, and the mortgage position is such that lower and medium-income people aren't able to buy property."

She said that State housing accommodation was tight, because people were staying put.

"There used to be about 400 State houses available at any one time. Last week there were only 60 houses vacant out of 12,000," she said.

"We used to turn to the State first to try to help homeless people, but now, even with the best will in the world, they can't help."

The Government's policy of encouraging State tenants to buy their homes was also dropping available rental stock, she said.

Brannigan said that rents in the inner city were beyond the means of single-income families ($70 or $80 is average) and that all she could do for most of her clients was suggest that they stayed with family or friends.

She said she had had to put several children into State care recently because their parents were homeless ("which costs the taxpayer $19,500 a year").

She had to suggest to a homeless, seven-month pregnant woman recently that she "live in a tent close to a toilet."

People in Auckland who advertise that they have rental accommodation available are swamped by hundreds of phone calls.

White told *NBR* that the housing shortage arose from several factors, including a major switch by politicians in moving away from supporting young homeseekers into bolstering the superannuitants.

He argues that the move into superannuation created an enormous shift in money which was previously available for housing.

"At the same time as housing finance shifted from the public sector into the private sector, the Government changed the interest on deposit regulations, and it took the interest rates to treble the previous level for homeseekers." Mortgage interest rates range between 9 and 22 per cent, he said.

Lack of indexing had also ruined people's chances of achieving home ownership.

"Inflation has destroyed family benefit capitalisation," White said. "The income barrier has not moved with inflation.

"Once almost 100 per cent of our clients could capitalise. Now the numbers are negligible.

"You have to have such a ridiculously low wage to qualify that it is impossible to afford the outgoings."

White said it amused him when people said the house financing should be carried out by the private sector. "The private sector has been milked dry by the Government — they've got all the funds," he said.

"Our building activity is being achieved by lending to clients profits which should, by right, be going to the shareholders. Most home builders are operating this way, not just Neil. But we can't keep on running benevolent institutions for all time."

White said that demographic charts showed a large bulge in the age group at present seeking homes, many of whom were reducing the housing problem by leaving the country.

"I think that political parties who follow present policies for much longer have very little chance of getting public support," he said.

Brannigan said that only two groups of people could now become home-owners — those moving up-market, having made a capital gain on their first house, and those whose families could help them out with cheap loan money.

South Korea

Seoul prepares to cut its losses

THE political turmoil and social strife which followed the late President Park Chung-Hee's assassination less than a year and a half ago coincided rather grimly with South Korea's worst economic crisis in two decades. Political calm is returning as President Chun Doo-Hwan sets about legitimising his hold on the Government.

An ex-general, President Chun began his quest for power after the assassination in a coup now known as the "night of the generals". An electoral college has just named him President for another seven years.

President Chun, however, will still have to deal with a precariously unbalanced economy. Despite some signs that the worst of last year's recession may be over, it is now clear that the economy more urgently than ever needs a major overhaul.

The excesses of planning in the 1970s have left the country with an economy susceptible to inflation, and vulnerable to outside pressures, whether they be oil price rises or economic downturns in the West.

The Government has begun the "long march" towards restructuring and revitalising the sectors of the economy which otherwise might not survive competitively in the 1980s. It is also wrestling with inflation, which has been largely responsible for making South Korea's exports less attractive.

What is also clear is that the Government expects a large measure of additional sacrifice from an already battered labour force now entering its second year of painful cuts in real wages.

A principal task of the new regime will be to keep these economic strains from spilling over on to the streets. President Chun, having paid a successful visit to Washington, is in as strong a position as anyone could be to make sure peace prevails.

This spring, however, with wage talks coming up, the possibility of student unrest could provide the first test.

Social unrest and violence dominated the news last year but when the final economic tallies were released it became clear that the economic losses (though less bloody) were nearly as shocking.

Inflation, a major strain even before President Park was assassinated late in Autumn 1979, was roaring.

Wholesale prices were up by 44 per cent, and consumer prices 35 per cent over a year earlier, according to official statistics.

Certain household necessities were even more inflated. Exports managed to keep pace, exceeding $17 billion target for the year, but the economy had contracted 5.7 per cent in real terms, the first drop since the late 1950s. (From 1962 to 1969, real growth had averaged 9.2 per cent).

Unemployment reached around 5 per cent, or about 700,000 people, nearly equivalent to the number employed by South Korea's largest industry, textiles. The Government probably avoided serious disturbances in the latter part of the year simply because martial law was strictly enforced and tens of thousands of "miscreants" were being rounded up to be "purified", and in many cases put to work for the public good.

Not all sectors of the economy were in recession last year. The most notable exception is probably shipbuilding — and it is claimed that order books are full into 1982.

A mood of "export or die" saw South Korea's enterprising businessmen searching out new markets to make up for declines in traditionally strong areas, like construction in the Middle East. These new sales helped prop up exports.

Perhaps the most important brace for South Korea, however, was the support shown by foreign bankers despite some grave misgivings during the darkest days of insurrection, foreign bankers who provided South Korea with all the foreign exchange it needed to cover the heavy balance of payments deficit $5.5 billion) and supply other needs.

South Korea obtained nearly $8 billion last year, bringing its outstanding external debt up to $24 billion.

The prowess of South Korea's credit managers was seen last autumn when, on 24 hours' notice, the Bank of Korea raised $170 million in short-terms funds from foreign banks in Seoul, whose staff queued in the chill morning to buy the "monetary stabilisation bonds" on offer.

The men who mapped out the industrial plans have been decidedly less successful than the financial managers. The problem, briefly, is that South Korea embarked — unwisely in retrospect — on a programme of building up heavy machinery and chemical industries in the mid-1970s.

The motor industry is now running at about half capacity, a good example of the result.

The emphasis now is on restructuring some of these industries. Cars and electric power equipment were selected last summer for reorganisation, but both attempts have fallen short, apparently because economic planners failed to foresee the complexities, especially when international companies are involved.

For all the problems, South Korea's prospects may not be all that bad. A vice-minister in the Finance Ministry comments that South Korea's ability to manage itself through the worst of the past year, and remain on its feet, is ample proof of its ability to solve future problems.

It is also true that South Korea's Government is becoming more modest about its goals. The Government will be happy to see 5 to 6 per cent growth this year, which will just about restore the economy to 1979 levels of production.

The prospects for growth after that are uncertain, simply because so many things could go wrong both in South Korea and in the rest of the world. The next five-year plan tentatively hopes for growth of about 7.5 per cent a year up to 1986, very low by previous standards.

Meanwhile, workers are being asked to hold wage rises to about 15 per cent (10 per cent for government employees) despite projections that inflation could be as high as 25 per cent.

Double-figure inflation appears likely to continue for two, three or even four years. This may be just about how long much of South Korea's industry will take to adjust itself to the longer term.

Prime Minister Rob Muldoon will visit the Republic of Korea next month immediately after his visit to Japan.

Confirming the visit, Muldoon commented that New Zealand had maintained a close interest in Korean affairs during the "dramatic political events" there over the past two years.

He is expected to call on President Chun Doo-Hwan, who has just been elected President for a seven-year term of office.

And, Muldoon will find the new President preoccupied as much with the Korean economy as that country's social unrest that followed the assassination of President Park Chung-Hee. Richard Hanson of the *Financial Times* assesses the problem facing Korea on the eve of Muldoon's visit.

Regional development

Gold dredges making comeback on the Coast

GOLD dredges — massive clanking giants that were once a feature of the West Coast scene — are about to make a comeback.

The earning of overseas exchange and jobs for the industry-starved region are two of the main benefits touted by dredging industry spokesmen.

Ventures range from a $10 million dredge planned for the Grey River to a mini-dredge working in Westland's Hohonu State Forest.

The Kanieri Gold Dredging Co Ltd plans to spend some $16 million during the next two years revamping its gold dredging operations, while Thames Minerals Ltd has plans for a scattering of plants near Greymouth mining high-grade, low-volume alluvial gold.

Land rehabilitation plans are designed to counter any moves from a fierce environmental lobby which has held back exploration on the Coromandel Peninsula.

Upgrading work is planned on Kanieri's old dredge working the Taramakau River, near Kumara, at an expected cost of $1 million.

While it has been "marginal, but holding its head above water," the Kanieri dredge has supplied most of New Zealand's demand for gold, according to general manager Kevin Buckley.

The dredge chews through "low-grade, high-volume", deposits at the rate of about 350,000 cubic yards a month to yield about 200 oz. Striking better paydirt, this figure should rise to 600 oz.

The dredge has recovered 412,000 oz — a today's prices valued at more than $206,000.

The company's new dredge, however, is expected to produce 20,000 oz a year — earning as much as $10,000 in foreign exchange.

The company has already been granted a mining licence over 365 hectares of riverbed and has applied for a prospecting licence over another 10,800 hectares.

Capital for the venture is coming from the company's California-based owner, Symcon-Marlex, and tenders are being called for site work to begin in May. The dredge is expected to be operational late next year.

While the Kanieri dredge already employs some 66 men, Grey River No 1 should provide jobs for a further 60 men.

"Moonscape" tailings are a thing of the past, Buckley claims. He points to rolling country in the wake of the Kanieri dredge now regrassed in clover and grazed by sheep.

"Proving a point", he undertook an experimental programme of sowing the smoothed over tailings which stand in marked contrast to the massive, scrub-dotted mounds left from earlier operations.

Bitterly, Buckley said his company had been left "the meat in the sandwich" between Government departments — the Forest Service blindly intent planting the area in exotic forests, and the Department of Lands and Survey which does not want the land which it holds title to. He fearrs that unless someone assumes responsibility for the land, it will revert to gorse and scrub.

In contrast with Kanieri's low-grade, high-volume operations, Thames Minerals' $400,000 mini-dredge is processing high-grade, low-volume gold in Westland's Hohonu State Forest.

The 50-50 venture between Lime and Marble Ltd and Amoil New Zealand (subsidiaries of the TNL Group and Brierley Investments respectively) is based on gold scoured from the Southern Alps by a glacier and deposited on the dredge's Greenstone Quinns Terrace workings.

The Nelson-built dredge modelled on a South American tin mining prototype, is now operating smoothly after early teething troubles, according to general manager Jock Braithwaite.

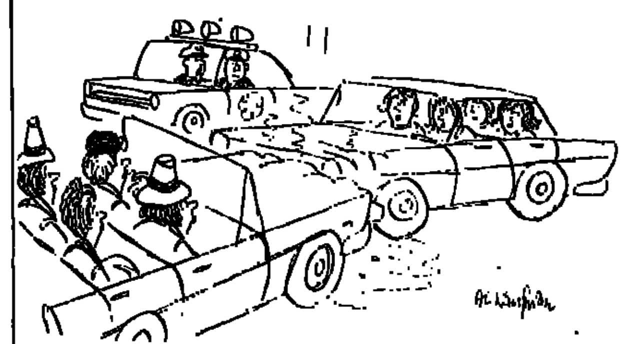
Gravels are fed into the dredge by a ditch-digger working in front of it, and a mere 1 per cent of gold is lost to the gravels washed through its riffle screening system.

The dredge is winning 40 to 50 oz of gold a month. The operation was costed, said Braithwaite, at a time when gold was priced at $400 an oz.

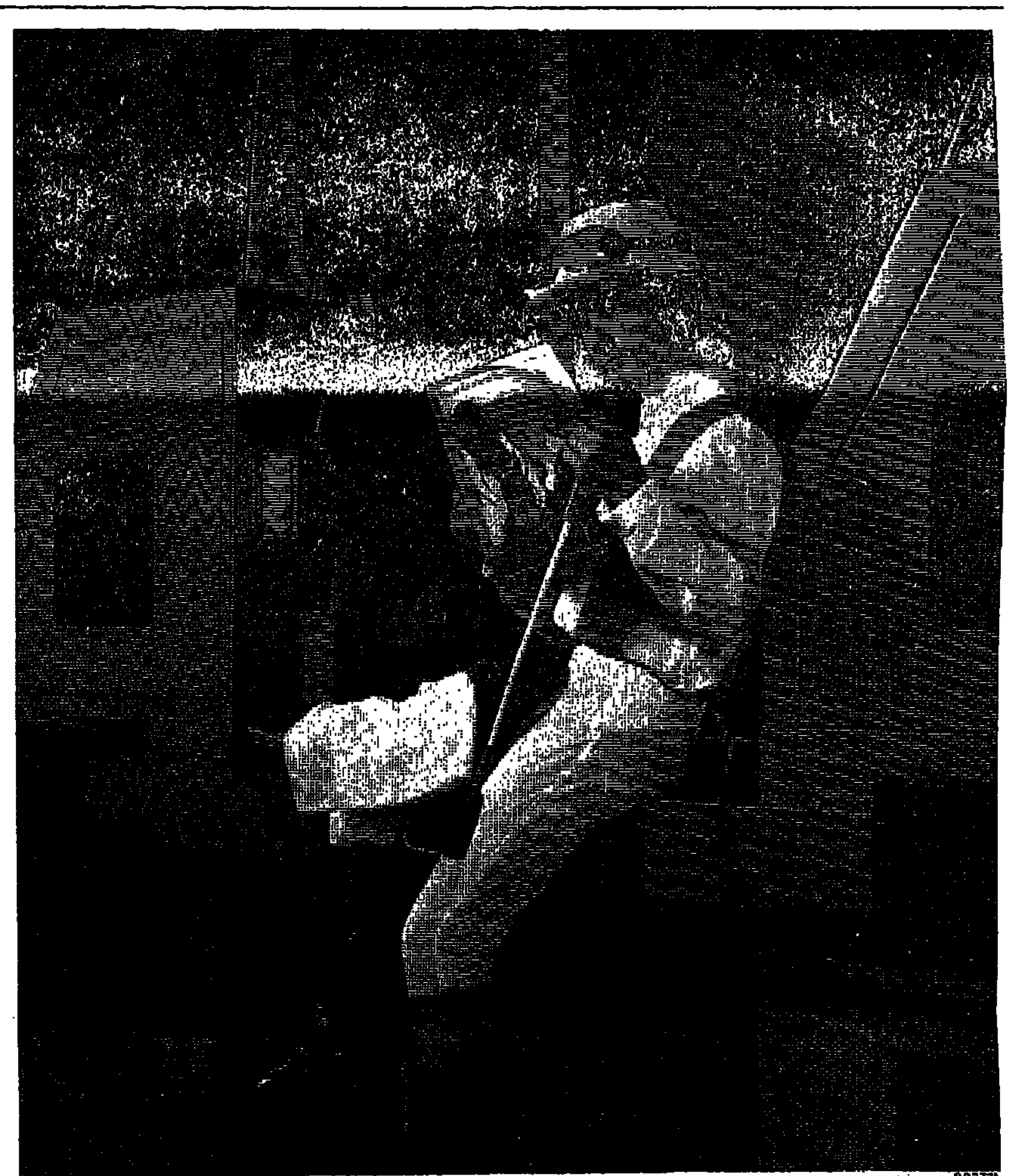
He sees the dredge as the first of a new network of small plants operating on a two shift basis within a 150 kilometre radius of Greymouth, to cut overheads.

The company is carrying out land rehabilitation work "because it wants to do it, not because protestors with placards are making us do it", said Braithwaite, referring to the strong anti-mining lobby mining which is slowing mining companies on the Coromandel Peninsula.

Before the dredge began its operation, surface peat was stripped and stockpiled to one side. As the dredge moves up the glacier processed gravels are smoothed and the peat re-spread, leaving a surface which the Forest Service can plant in pines.



"Let's make believe we didn't see it or we'll be here all day!"



Spartan times for the ailing 'keep-fit' industry

by Rae Mazengarb

IF the numbers out jogging and involved in other forms of physical fitness programmes are anything to go by, the health centre business should be booming.

But it's not. Increasing overheads and competition for the discretionary dollar is leaving many straining to make ends meet.

Some – the larger, well-capitalised centres – are doing fine. But over the past five years there has been a proliferation of smaller clubs, particularly in the Auckland area, all of which have helped to create a climate of stiff competition.

At the same time, the costs of running these facilities have soared, and some operators have found their services grossly underpriced in terms of the cost of providing them.

Others have realised the need for higher memberships and have sought to expand and diversify their activities to attract the required numbers.

But it's a hard slog, confided one operator. "We're doing okay, but not as well, in real terms, as three years ago."

It has meant, for many, a conscious injection of professional marketing skills – new promotional techniques that were not required a few years ago.

And money.

The old gymnasium is not what it used to be. Members demand bigger and better, and some of the larger complexes cover areas of 1500 to 3000 square metres.

There is a tendency to adopt a more scientific approach, and many centres augment their programmes with general fitness courses, stress and cardio-testing diet programmes and so on.

Some have evolved naturally; others, such as the American Jazzercise system, have been imported in line with the theme "keeping fit is fun".

It has also had a dramatic effect on memberships, and many centres now cater for mum, dad and the kids, as well as blue and white collar workers.

Auckland's Clive Green points to the growth in the number of women attending and suggests this could be why many health centre businesses are still surviving.

A few years ago, women made up only about 25 per cent of total membership. "Now it is definitely 50-50, and could even be going slightly the other way," Green said.

Les Mills, in the business since the early 1960s, runs one of the largest inner-city Auckland complexes, with a membership around 3500.

But he is first to admit, that competition, particularly from suburban clubs, makes running a health club risky.

Those which don't go broke tend to do really well, or "just totter along like a family business," he said.

Green said some didn't make it because they aimed for a narrow end of the market.

Facilities geared only for the boxing market would attract small numbers, just as they would if they aimed for the business executive at the expense of broader market opportunities.

Jack Stuart, of the Auckland Health Centre, is one of those prepared to punt in this slim market, but after a year in the boxing arena, he says his business is only "holding its own".

His facilities are limited, without the attraction of the saunas of the larger gyms, but these facilities cost money. Borrowing is not easy for such risky ventures.

For now, he is content to stay small, with advertising taking the main slice of the budget.

It's a gamble. Even those with growing memberships are finding it more difficult to cover costs.

Five years ago, subscriptions to Clive Green's centre were about $160 a year; today they are $195.

But with rising costs (in the case of power, five times higher), Green says he should be charging around $250, and Mills around $350 a year for his facilities.

"But we can't."

They recognise they are aiming for a portion of the discretionary dollar. They know higher prices will meet with consumer resistance.

Instead, they look to promotion and an improved market image to boost volume.

Mills, particularly, is looking around for opportunities in other centres. His son, Philip, is setting up franchise holders around the country for the new Jazzercise programme.

People have to be trained and location must be right, but by the end of the year it is hoped to have about 50 groups operating, perhaps eventually double that number.

A competitor pointed out that Mills' marketing of Jazzercise has been carried out with a professionalism not often seen in the business; the concept was fine, the name itself excellent, but more important, the venture did not call for high overheads.

Equipment and labour costs are at a minimum.

Suburban health centre, R.M.D., holds the Jazzercise franchise for the South Auckland area. Spokesman Paul McAndrew says he hopes it will attract higher numbers, particularly after the hot summer months, when people seemed to stay outdoors.

Employee health schemes neglected

OPPORTUNITIES in the business community for employee fitness programmes should spell healthy profits for those in the market. But tapping these opportunities is not easy.

Overseas major companies are learning fast the benefits of keeping their employees fit. Some even provide their own in-house gymnasium facilities with medical staff on the job, planning tailor-made exercise programmes for employees.

Counselling services to relieve stress are also becoming more widespread.

But most local companies, it seems, don't want to take even the first step – some form of subsidising employees into fitness programmes.

Auckland's Les Mills says business does have an important role to play in the health area. But out of 2000 companies he approached with a proposition for funding or subsidising staff membership to health clubs, only three agreed to take part in such a scheme.

He says, on the one hand firms want their workers fit, but they are "not prepared to put their money where their mouth is".

Clive Green made a similar approach to companies, but found only a dozen interested in doing something.

A few agreed to subsidise health club memberships for their key executives. Most were content to allow Green to try to organise within the company a group discount deal for staff.

Aside from groups like UEB, Cooks Wines, Alltrans and some legal firms, he said, the response should have been better.

Wellington's YMCA executive director Geoff Henley feels there is still plenty of scope for fitness programmes in the area, particularly within the confines of large multi-storey buildings housing as many as 1200 employees.

He points out that some Government buildings already have showers; it would not be too difficult to imagine an office building with a gymnasium on one floor.

Such a facility subsidised by firms would be good for staff-employer relations, but more importantly, it would significantly reduce man-hours lost through sickness, Henley says.

He is also keen to see a programme operating in another area which he feels could bring gains – a programme for parliamentarians in the Beehive complex.

Last month Christchurch-based Skellerup Industries Ltd launched its own initiative into the health care arena.

Though not conceived along the lines of a physical fitness programme, its new extended health centre could be a pointer to other companies looking to safeguarding the health of their employees.

Skellerup employs two nurses and a doctor specialising in industrial medicine; staff can be treated for illness at the centre or referred elsewhere for further treatment.

Regular testing of staff employed in some areas is carried out by the nurses.

As well, the centre includes a dental service operated on a one-day-a-week basis with provision for extension as demand grows. The company itself picks up the tab for all services provided.

Trade week

DESCRIBING trade as "an important means of furthering America's friendly international relations" President Reagan proclaimed the week beginning May 17 as World Trade Week.

Reagan said: "The United States remains firmly committed to an active world trade role in the context of an increasingly interrelated international economy. A reciprocal spirit of world co-operation, permitting fair trade investment between our country and the rest of the world, is indispensable to all of us."

Wellington's 'Y' trims its fat, reduces loss

by Rae Mazengarb

WELLINGTON'S YMCA was headed for collapse after 75 years of operation on its prime Willis Street site.

Prolems which began in the early 1970s had worsened, until by 1978-79 the "Y" was losing almost $60,000 a year.

"A lot of money, sustained over a long period," said executive director Geoff Henley.

The hostel – once the major factor in the financing and the identity of the operation – was closed; it was the end of an era.

But not the end of the "Y" in spite of projected losses for 1980 of up to $90,000.

The deficit was reduced to $31,000 and this year will run no higher than $15,000.

An impressive turn-around, but no accident.

Careful budgeting, rationalisation and reorganisation of activities – looking for more creative ways of using the same staff and resources – a rescaling of fees to bring them more in line with costs, were effective ways of pulling the "Y" back on to a more healthy financial footing.

But long-term, the organisation needed a new management system to cope with the new range of activities in the pipeline.

Remedial work had to be undertaken, professional planning systems introduced, and a high degree of expertise was needed in areas of financial management and marketing.

The old YMCA was geared to the past. Even the building – put up for $15,000 on land donated to the "Y" in 1907 – with its high, difficult-to-heat studs and many meeting rooms, was outdated, though a major asset in straight financial terms.

As Henley pointed out, you cannot run a low-cost hostel on prime inner-city real estate.

The building had to go to make way for a new, diversified and broader service through a range of activities in the suburbs as well as the central city area.

First steps had to be taken to stop the mounting losses.

Henley approached a number of city businessmen, asking for a 12-month commitment to serve on a de facto board of directors, whose role would be advisory to the main board.

Henley looked for expertise in marketing, particularly people working in a similar-sized business, people experienced in pulling a diverse organisation together, and people experienced in financial management: Colby Coombes, marketing manager of the National Bank; Terry King, managing director of McKay King Advertising; Murray Smith, of the Small Business Agency; Reg Birchfield, managing director of Fourth Estate Holdings; Colin Misseldine, of Chappels Music Co; Garry Hannan, of Victoria University's business administration department; Ken Fink-Jensen, of Heylens; Graham Hill, from Trade and Industry (also the YMCA's formal board of directors); and Jeff Thomas, national executive director of the Association of YMCAs.

The board has been meeting since mid-last year.

The building is under option until June, when the liquidity position should free up substantially.

Whether that capital will be ploughed back into another large central city building or a range of smaller centres is something still to be decided; Henley says that, at the moment, the prospect of rebuilding a large central centre is not likely.

But while things are sorted out, the Y is moving ahead on other programmes, such as camping, suburban projects such a Ynui, Ymana, health and fitness programmes, camping and "Rydum" – a community programme designed for children aged between 11 and 13.

The "Y" is also during this transition stage looking at more possible approaches to individual companies to offer its health-fitness services on their premises; a proposal to develop fitness programmes for MPs at the Beehive is also in the pipeline.

Costs last year were held at almost the same levels of the previous year, while income last year was up by 37 per cent, because of increased fees for services which Henley said had been "grossly underpriced".

The organisation is also working to get more mileage out of its projects; for example, in the Ynui scheme the number of children's classes has risen from seven to 17, and the number of adult classes from none to eight over the past year, without an increase in staff.

Henley says the board has suggested many ideas, particularly in the marketing area which "have radicalised our thinking".

He hopes the year of break-even (the "Y" is non-profit-making) is not too far off.

Enthusiasm, but little hard cash, for idea

GETTING into the health and recreational centre business is not easy as Wellington valuer Philip Stratford is finding out.

Last year he launched a campaign based on the slogan "Invest in your future health" and aimed at the exclusive business market, with membership limited to the first 2000 applications.

The annual subscription was not high, at $150 a year plus an initial entrance fee of $200.

The whole exercise was a punt, but with a drawback.

The recreational centre – unique as it was for inner city Wellington with indoor tennis court, squash courts, indoor swimming pool, golf driving range, indoor running track, gymnasium, spa pools, restaurant, lounge facilities, medical centre and car parking – was not in existence as Stratford Consultancy and Management Ltd started its sales pitch.

Stratford was selling an idea, even if an idea which captured the imagination of many Wellington business people. But not their cheque books.

The brochure containing an application for membership outlines the proposed site for the centre, right in the heart of the central business district.

The promoters needed to get sufficient members and deposits to ensure the project would proceed.

As Stratford said, the project was "delicately poised" between success and failure. Already 900 people had been prepared to take the plunge, and though short of the numbers he originally hoped for to get the project off the ground, he had probably enough to start moving, he said.

Already things are behind schedule. According to the application form, "the initial deposit will be held at the BNZ and if for any reason the project does not proceed then a full refund will be made on January 31, 1981, and neither party will have any further claim upon the other."

The date has past but Stratford and the initial members are still keen to see the centre go ahead.

But, as Stratford said, "We're fighting good old Kiwi inertia." People approached had the attitude that "it's a great idea, you get the thing built and we'll be in." Frustrating, to say the least.

Stratford's problem is finance. As one Auckland health centre manager said, it takes big money to set up this type of venture, especially on prime land.

Stratford looked around for something to "tip the scales." At one stage a brewery and at least one other company showed interest in acting as guarantor. Les Mills and Wellington YMCA executive director Geoff Henley were interested in the project, but both saw pitfalls.

Mills said a large central gym was needed for Wellington to fill a vacuum, but said he could not afford to finance Stratford into such a venture.

Henley – who is looking around for alternative premises when the present YMCA building is sold – said he was willing to talk to Stratford "if he has anything to talk about."

But he could see problems with a non-profit making group joining hands with a limited liability company.

"Good grief, you'd think we could knock off [illegible] during the January Sales."

Books

That thar gold's not just in dem hills

by Gordon McLauchlan

WHEN the late James K Baxter's *Collected Poems* was published last October, long-time friend Michael Illingworth decided "to mine the gold in the hearts of our people" by organising the first James K Baxter Memorial Conference.

The first step in the beatification of Baxter was held in the last weekend of January on the superb Matai Whetu Marae, which juts like a canoe prow over the edge of the Hauraki Plains where they slide under the Hauraki Gulf, not far from Thames.

It was an appropriate site given Hemi Baxter's profound emotional rapport with the Maori people.

As a conference, it was essentially amorphous, without agenda or any planned direction for discussion. So a mooted manifesto did not emerge.

Illingworth's clarion was: "We are calling on the support of the democratically elected leaders of our nation — the elder on our maraes, the leaders of opinion within our minority culture, those who preach from our pulpits, those who husband the land, the captains of industry, any persons within these islands, and those expatriates who feel for these shores — to come together to support this concept and contribute to the welfare of this nation now . . ."

This sententious urging was answered by a chorus of poets, some of whom happened to be passing that way after Nambassa. Among them were Hilary Baxter (with some of the style of her father's daughter), David Mitchell, Barry Mitcalfe, Don Barrier and the septuagenarian from the Bay of Plenty, Vaughan Morgan. And, famous for his social sportiveness, Tim Shadbolt turned up.

Notably absent were the democratically elected leaders of the nation and there wasn't so much as a corporal of industry — probably because they feared being touched (in the financial sense, rather than the emotional).

Illingworth has been soliciting money from political and business leaders for a James K Baxter fellowship to be presented first at the second memorial conference tentatively planned for the same place next year, and annually thereafter. The fellowship will be awarded to "the person in any creative discipline working within New Zealand whose production is seen as the most outstanding in 1981."

Illingworth has marshalled about $12,000 worth of promises, with the chairman of the fellowship, Fred Turnovsky, the major contributor so far. Turnovsky was unable to turnupsky to the conference.

Baxter was a trenchant social critic, a Catholic who espoused the true poor and bereft rather than mock-poverty, and like most fine poets he was socially a subversive. This all made him a mote in the eye of respectable society before his death in 1972, aged 47.

He is more comfortable for conventional people to live with now he is dead, and he is gaining, as each year passes, a romanticised image as a saintly poet of the people.

He was, in fact, a devout man and if there was any doubt about his genius as a poet it has been swept away with the publication of the collection of his life's work. He was perceptive, lyrical and technically superb. The full range of his work makes him New Zealand's greatest poet.

Without any formal shape, the conference on the marae took a couple of days of conversational warming up before it amounted to much for outsiders. Illingworth's enthusiasm for mining the hearts of the people was vastly exceeded by his vituperation at the attempts by multinational companies to mine gold from his beloved Coromandel Range.

He farms 35 acres in one of the Coromandel's beautiful, bush-clad creases and he spoke at length on what is perceived to be a forthcoming rape of the range for short-term economic gain by people from outside the country, let alone the district. The mining issue was the focal point of the early talk.

If the first two days of the conference were dead, on the third day it rose again and burst into a bloom of poetry and rhetoric. Barry Mitcalfe talked about Baxter as a poet. Hilary read from her father's new collection and she and the other poets read from their own work.

The conference ended with a call for an International Year of Tailhoa, which may be hard to sell to Arabic, Urdu and Swahili speakers in [illegible] the world's more [illegible] trouble-spots.

Fred Turnovsky . . . major contributor to fellowship.

But for all the [illegible] philosophical fumbl[illegible] conference was rel[illegible] the warmth and [illegible] courtesy that the country retains.

In a country which [illegible] its poets little, a second [illegible] Baxter memorial o[illegible] better planned and [illegible] could grow into a third [illegible] fourth and . . . A p[illegible] artists and poets to [illegible] social and political is[illegible] specially concern the[illegible] bad idea.

It would be an [illegible] incurably [illegible] Baxter became po[illegible] an institution.

Office equipment

New copier is designed for the 'think big' era

by Peter Isaac

A SUCCESSFUL outcome to the Government's "Think Big" policy will benefit Rank Xerox among many others. When all those smelters and pulp mills get under way Rank Xerox will be standing by with a truly monster copier capable of handling technical drawings of any size.

Priced at $115,000 off the showroom floor, this new plain paper copier should set architects jumping up in the air and clicking their heels with joy. It takes over much of the redrafting and amendment which keeps so many draughtsmen busy. They will do "more productive and rewarding" work, the Rank Xerox publicity says.

The Xerox 2080's chief feature, of course, is its ability to reduce without distortion — absolutely crucial to architects. It contains a microprocessor which works out all the percentages of the reduction.

So far, one of the machines has been sold to the Neville Newcombe copying centre in Auckland. Rank Xerox product manager Tom Ross says there has been no estimation of the market at all. "It will depend on the number of large projects that get under way," he says.

Meanwhile the biggest potential customer is the Government which might position the machine in the Ministry of Works, for example.

The machine features a number of aspects that should delight architects. This especially applies to an off-line fusing device which confers on the machine a work-in-progress alteration copying capability.

The printer will accept originals up to 914mm wide and for all practical purposes unlimited length. They can also be on any material up to 2.5mm thick. The output prints can be reduced or enlarged to anywhere between 45 per cent and 141 per cent of the original size, either by using four pre-set push buttons, giving ratios of 50 per cent, 71 per cent, 100 per cent or 141 per cent, or by using a zoom lens control which covers the whole range in one per cent steps.

The maximum print width is 620mm, so that A0 drawings are reproduced at the 71 per cent reduction ratio to give A1 prints, and A1 drawings can be printed size for size. Larger drawings can be printed size for size in sections, using the whole 620mm width.

With the 2080 you can also adjust the length or the width of the print independently by up to 3 per cent. New Japanese lens technology means that the prints produced at six metres a minute are exceptionally sharp, especially with halftones and solids.

The main application feature is that it allows drawings to be reduced to a better size for working in confined spaces. Another useful application is simply to reduce large drawings to a small size and then run them off on a general-purpose office copier.

The 2080 will print on to white or coloured paper, tracing paper or draughting film. The machine features a fairly straightforward control system which allows the operator to choose automatic cutting to A1, A2, A3, A4, including A4 landscape sizes. For special inserts the machine will accept manually fed, cut sheets.

The 2080, built in Japan, by Fuji Xerox, is the first plain paper copier capable of enlargement and reduction to reach New Zealand. Ross estimates delivery times of six weeks for the machine.

Rank Xerox has also just unveiled its new facsimile transmitter, the Telecopier 485, which can send an A4 page in a minute to anywhere in the world. The special feature here is that there doesn't have to be anyone at the other end to answer.

This means, presumably, that the user can take advantage of off-peak transmission rates without having to link up with the receiver.

Rank Xerox's telecopier uses a heat-sensitive paper which enhances clarity.

The Xerox 2080 . . . monster-size copier.

The two product releases from the company emphasise the way in which it is using its copying technology to gradually stake its claim on the office of the future.

The big architectural printer also points out the Rank Xerox's determination to sheer away from its rent-only trasing policy. The 2080 can be bought outright or leased.

Energy

Birch defers research ideas

by Ann Taylor

PROJECTS proposed by the Energy Research and Development Committee have been turned down for the first time by Energy Minister Bill Birch.

One proposal sought finance to complete an MA thesis on the roots of conflict which have given rise to differing views in the energy debate.

The thesis, which is being pursued, aims to find if the sociological concept of "conflict resolution" can be applied to the energy field to improve understanding and reduce conflict.

The Social Sciences Research Fund Committee, said it was an ambitious project for one person to undertake and that a review group would be advisable.

Birch agreed with these comments and pointed out that there had been major modifications to legislation since work on two of the case studies selected was done.

Expenditure on a second project to develop burners and appliances for town gases was declined because the situation regarding town gas has changed since the contract was approved in early 1979.

But not all town gas has been phased out and it has been deferred, pending review by Lloyd Brown, of the Wellington Gas Company.

In refusing these two projects, the Minister said it would be preferable if the committee did not raise a proposal to contract status until the work statement was finalised. But in development work it is difficult to give a definitive work statement.

Dr Colin Maiden chairman of the Energy Research and Development Committee, concurs with the Minister's decision and says the projects were not unanimously supported by the committee.

"Normally they go through with full agreement," he said.

Another project sought to ascertain the overall ecological impact of Taranaki's energy projects

The projects have all had individual environment impact reports done on them, but the accumulative impact has not been assessed.

The Minister did not approve the requests for funds, and the committee decided not to go ahead. The contract has been cancelled but Dr Maiden says it might be reconsidered.

Previous projects which could be construed as being politically sensitive have included the use and implementation of CNG. Because of the committee's relation to energy all projects could be contentious.

Government aim of planned marketing strategy reaps harvest of resentment from the growers

by Warren Berryman

GOVERNMENT efforts to direct the unruly growth of the horticultural industry along planned marketing lines are reaping a harvest of suspicion and mistrust from growers.

Growers fear they will lose their freedom to export their own products and their export incentives to a "club" of export houses and processors.

Suspicions run strong that the Government is pushing for another producer board modelled on the Kiwifruit Marketing Authority.

No private grower is allowed to export his own kiwifruit. And horticulturists growing products ranging from cut flowers and berries to potted ornamental plants and seed fear their long-standing right to export may similarly be taken away.

Some growers are putting investment plans on ice till the situation clears.

Free enterprisers' concern is focused on Westbrook Haines, director of the Ministry of Agriculture and Fisheries' Horticultural Export Development Committee (HEDC).

As director of HEDC, Haines advises the Minister on such matters as which of the 140 horticultural products are worthy of Government assistance, which products are likely to find export markets, and how market research and forward planning can be co-ordinated to provide a basis for sustained growth.

Haines has already spoken out clearly in favour of marketing experts handling exports. He sees growers as production-orientated rather than marketing-orientated.

But Haines told *NBR*: "There is no way the HEDC will recommend the establishment of another producer board" controlled by "reactionary" and "fuddy duddy farmers".

Haines has heightened suspicions that control of the horticultural industry will be centralised with a series of grower symposiums at which the Kiwifruit Marketing Authority has often been put forward as an exemplar to be emulated.

Haines has also spoken to industry leaders about the benefits of the Israeli Agrexco system, its forward planning and its national brands, such as Jaffa oranges.

Haines' opponents point out that Israel, with State-owned land and kibutsim, has the nearest thing to Communism outside the Soviet bloc.

Informed sources say Haines has been to the Apple and Pear Board and Kiwifruit Authority with his ideas of a national brand and been given a cool reception.

Some growers insist that the exaggerated statements made about the huge potential of horticultural exports were merely a means to justify an equally huge bureaucracy.

Haines complains that the horticultural industry is as disorganised as it is diverse.

Some independent growers say they would rather get on with their business of growing and exporting without being forced to attend meetings organised by Haines to protect their interests.

But they attend to protect their interests.

Haines is due to leave his post at HEDC this year and a successor has already appeared in the form of the Horticultural Exporters Council.

The HEC, a recently formed body of big export houses such as Turners and Growers, Produce Markets, and the Government-owned Export-Import Corporation, is expected to fill the power vacuum left by the lack of organised grower associations.

HEC secretary Bill Kember, of Produce Markets, said "our intention is to take over some of the functions of HEDC."

The HEC's role might be "promoting the orderly development of horticulture" which entails eliminating "*unprofessional* elements" which cut prices of export standard products, he said.

Kember said Haines was the catalyst behind the HEC.

He thought export licensing for horticultural products was undesirable at this stage, Kember said, but too many exporters, some of whom were not "serious exporters", make life difficult for Trade and Industry's trade commissioners abroad.

Thus, the HEC might make up a list of HEC exporters and give it to Trade and Industry as a means of shutting out non-member exporters, Kember said.

Grower exporters, some of whom have been exporting for up to 30 years, have not been invited to join the HEC. But two HEC members, Southern *Cross Marketing and* M[illegible] Dougall Ltd, have a grower stake in their export operations.

Kember said the HEC was concerned about how horticultural products were being produced "willy-nilly" without regard to existing or potential markets.

If the HEC took over from the HEDC as advisor to the Government, it might say, for example, "we don't have a market for squash so don't give Rural Bank loans to squash growers."

Kember said he would personally recommend against investment in boysenberries, blueberries, squash, tamarillos, feijoas and blackcurrants because the marketing prospects for those products were not good.

Independent growers resent the high-handed way *in which* their future is being debated.

For example, Haines organised a meeting of flower growers at Massey University this month when Ministry of Agriculture and Fisheries researcher Dick Ivess was to present his study on the flower industry.

Haines invited about [illegible] people and refused entrance to a free-enterprise group of South Auckland flower growers.

Haines said "this was not democratic. We selected the people who mattered and put them in a room to discuss what the industry needs."

One member of the excluded grower group said he had planned a $200,000 capital injection into his flower-growing operation. "But there is no way I will take this risk if I'm going to be dictated to by a bunch of bureaucrats," he said.

Rod Hepburn, a Whakatane orchid grower, was invited to the Massey meeting.

He said that Haines [illegible] to approach industry leaders to see how much of the Government cake should be allocated to flower growers. There were 14 growers and six Government men at the meeting, he said.

Hepburn is a past president of the Flower Growers Association.

'Most growers feel the same as I do. We are independant. We want to be left to our own devices in a free market," he said.

Why was he at the meeting? "We feel pressured by the HEDC," he said.

"We get the uneasy feeling unless we participate something could happen detrimental to our business. This watchdog role costs us time and money. I'd rather be doing my work."

Hepburn's family business started 30 years ago when there were no export incentives.

"*We came* up the hard way," he said. "Today we run a successful business and it hasn't cost the taxpayer one cent.

"I've been exporting for 25 years to five countries. I speak German and Japanese. I know another flower exporter who speaks four languages. Why they consider producers incapable of exporting is beyond me."

Hepburn's comments were echoed by other horticultural grower exporters.

The HEDC, DSIR and Trade and Industry have been ploughing hundreds of thousands of dollars into market research for horticultural products.

Hepburn said this research had never been any use to him.

Executives from two major produce export houses said none of this Government-funded research had ever been of any use to their companies. Said one: "It's no use whatsoever – a lot of money wasted *achieving* nothing."

The horticultural market research boondoggle vies with horticulture itself as a growth industry.

The Export-Import Corporation has a grant from Trade and Industry amounting to about $200,000 a year to research markets for horticultural products.

The Eximcorp's research unit has produced some six reports on topics ranging from the United States cut flower market to a study on Israel's Agrexco system.

Another seven reports are being prepared.

Industry sources are suspicious about Eximcorp's dual role of Government-funded market researcher and horticultural exporter.

But Eximcorp chief executive Stan Stanworth said the research unit was kept separate from the corporation's trading side. "The corporation must buy these reports the same as anyone else," he said.

Former Institute of Economic Research economist Rory O'Malley is doing market intelligence work for Haines from London.

Haines said O'Malley was doing primary research, finding out what information exists.

The DSIR has its own horticultural research division looking into production, storage, transport, and processing of horticultural products, headed by Rod Bileski.

Bileski said the DSIR's role was not to improve production but to improve quality and to develop new processing methods to meet market demands.

This work ranges from developing fruit nectars to raising the standards of our products. As Bileski pointed out to a recent meeting of horticulturalists, New Zealand with its high freight costs must compete with quality, not quantity and price.

It costs as much to ship a scruffy fruit as a top market product, *he said.*

The Government's desire for good market research and rational planning has created the present climate of uncertainty and suspicion.

But, seeing things through the researcher's eyes clarifies the debate.

The DSIR researchers are working towards higher product standards and would probably favour a system under which horticultural products were exported under a national brand as in Israel.

But why bother with higher standards and a national brand if someone is likely to foul up the market with exports of sub standard products? a researcher asked.

Under the Government's charging policy, work undertaken by the DSIR for a private firm must be charged out at full rates. Work done for an industry as a whole may be charged on a more flexible basis. (If the work were done for Watties, Watties must pay; if it were done for the HEC, and the HEC were seen as representing the industry as a whole, the taxpayer would probably foot at least part of the bill).

Grower exporters and export houses might argue that so far Government funded research has been of no use to them. They have been in the game for some time and claim they know their markets.

The question remains: do they know the potential markets or future market trends?

Haines points to growers planting feijoas and tamarillos with mad abandon when no-one has any idea where to sell them. He could have cited the big plantings of squash for which there is insufficient market, or *any number of* horticultural ventures which have foundered due to insufficient research.

Haines said he was impressed with Israel's forward planning.

Horticultural growers spoken to by *NBR* would resent any Government telling them what to plant. But the free enterprise argument falls down when it comes to going to the Government for a cheap loan from the public purse to plant what the Government knows is likely to be a loser.

Haines talks of "co-ordination", "pulling together", elimination of Kiwis competing against each other in export markets, and strict managerial control.

His arguments sound like a justification for yet another producer board at a time when the citrus and honey marketing authorities have buckled to the free enterprise mood and the Meat and Wool Board's monopolistic shipping controls are under attack.

But Haines said the lesson to be learnt from Israel was that "they have no producers on their marketing boards, just managers. That's what we advocate."

Haines has been accused of being an arch-centralist. His detractors feel he is trying to hand all horticultural exports over to the big export houses, and they see him as plotter and empire-builder, not as a marketeer.

Cast in the role of marketeer, Haines comes across in a different light. He points to the helter-skelter growth of 140 different horticultural products and says good market research and forward-planning could have saved us money.

Because we have limited resources, we must sort out our priorities and back the best bets, he says.

He falls short of the arch-centralist in saying we will provide the information and it is up to the grower to choose.

Haines openly admires the Israeli national brand system as a marketing tactic. But he readily acknowledges that the Israel and New Zealand economies differ vastly.

Besides, he said, a common brand image system must start with the Kiwifruit Authority and the Apple and Pear Board getting together before the small and diverse elements in the industry are brought into such a scheme.

Haines said he wanted to see growers, exporters, and Government sit down at the table and thrash out a co-ordinated plan for the industry.

But some growers feel the thrashing out is being done without their advice or consent.

Soon there will be an export mission to Japan designed to elevate the profile of New Zealand horticultural exports.

Apart from Haines and Agriculture Minister Duncan MacIntyre, there will be representatives from Watties, Turners and Growers, the HEC, Dalgeties, and other large export houses.

Missing from the guest list, and perhaps missing out on export opportunities, are the people who grew the produce, the farmers.

And that is just one slight in a long series of slights that peeves the toilers who make the business possible.

Going tabloid

AUCKLAND trade publisher Product Publications Ltd is moving from magazine format to tabloid.

The company already produces its *Farm Equipment* and *Food Industry* publications in tabloid form. Stablemates *Industrial Equipment News* and recently-acquired *Building Materials News* are now following suit.

Among the reasons cited by the publishers: a reduction in printing lead-time in the increasingly-competitive trade publications field and rising costs of A4 printing.

Government administration

Watchdog body may have its voice muffled

by Ann Taylor

THE environmental watchdog might be given a new name — and have its bark muffled.

The OECD draft review of environmental policy and management, coupled with Cabinet disquiet at Commission for the Environment audits, could result in the public's voice not being heard in the assessment of "think big" projects.

The OECD review suggests the commission's role in auditing environmental impact reports should be subject to guidelines set down by a government ministry. And Cabinet holds the view that the Government should set down terms of reference for impact reports and audits.

Under the current arrangement, the proponent of a project prepares an environmental impact report, which is then published. Public submissions are called and, whatever their nature, are considered in the commission's audit.

Social and economic implications have been considered in submissions and the commission has applied processes to monitor the social impact of projects.

Commissioner Ken Piddington said that the content of an audit is his responsibility and should not be confined by the terms of reference of the impact report.

The OECD review points to a different arrangement.

To deal with the complex issues associated with indigenous energy resource development, specific changes will be necessary in the institutional framework for environmental management, according to the OECD review.

The report says the Minister for the Environment's role and that of the commissioners remain "vague and uncertain".

It recommends, at minimum, that a central environment agency be established by statute with policy advice and co-ordinating roles, but no operating responsibilities.

The ministry would serve to clarify the Minister's role and the commissioner's as a public servant with no "public critic" or "public advisory" function.

The ministry would be responsible for the development and co-ordination of overall policy within different levels of government and to advise Cabinet through the Minister.

It would be responsible for ensuring the early integration of environmental concerns in economic and industrial development policies.

The review says "public consultation always takes time and seeking it through a large number of overlapping mechanisms can result in unnecessary delays in decision-making". To overcome this, the OECD recommends a "review of the terms of reference and relationship between advisory bodies" and "the strengthening of the overall framework for external advice to government."

To this end, it suggests the amalgamation of the present Environmental and Nature Conserrvation Councils with a mandate to perform a broad advisory role; to establish strong links with non-governmental groups and to act as a central body to obtain and co-ordinate their views.

Its independence would be ensured by a strictly non-government membership.

The current mechanism for public consultation embraced in the environmental impact assessment and audit process would be retained. The new ministry would prepare the guidelines and oversee them. The new council would be responsible for the audit.

This suggestion splits the present role played by the commission.

The OECD review says these changes should focus on:

- Strengthening the primary source for development of and advice on policy within the Government;
- Strengthening the co-ordination of environmental policy within Government, specially the early integration of environmental concerns in to energy, agriculture, forestry, mining and other economic development programmes;
- Requiring agencies involved to consider the implications of their own policies and programmes;
- Clarifying and strengthening the principal sources of external advice to the Government;
- Improving access to information for Government and non-government bodies and the public at large;
- Continuing to improve mechanisms for public participation, in a way that would avoid overlapping and unreasonable procedural delays.

Going beyond the minimum, the OECD review suggests a small department to set standards and monitor their implementation.

The National Development Act made the preparation of an environmental impact report and the commission's audit legal requirements before the Planning Tribunal hearing.

It did not, however, set out the purpose of the audit process or define environmental impact.

Addressing the tribunal hearing on the first application filed under the Act — the Petralgas Chemicals NZ Ltd methanol plant in Taranaki — commissioner Ken Piddington set out the principal functions of the commission.

Piddington said that "our assessment of environmental requirements is congruent with our interpretation of the public interest. This must be the rationale for any agency charged with environmental responsibilities".

He emphasised that the audit "emerges from a phase of public participation" and was prepared as an independent appraisal. "Our public commentary on a project is designed purely to facilitate the decision-making process . . . we do not see our role as that of an adversary".

The review does not deal with the preparation of guidelines for impact assessment, but Government thinking in this area is reflected in Cabinet's reaction to the commission's audit of the CSR-Baigent proposal to establish a thermochemical pulp and sawmill in Nelson.

The commission's audit pointed to:

- The horticultural potential in the area;
- The dubious employment and economic benefits;
- Scarce water resources;
- The distance from the wood resource and possible shortfall in pulp logs over the next nine years;
- Increased traffic through the area.

It drew attention to the present diversity of economic and community activity and range of options for the area's development.

The commission recommended that the consortium be required to:

- Justify the site compared to other locations; and
- Endeavour to cut its water requirements.

In its conclusion, the audit said the initial 300 tonne a day pulp input "with some modification and controls . . . could be manageable within acceptable limits".

But the audit expressed reservations about the E[illegible] between the initial proposal and the consortium's intention to acquire up to 60,000 hectares for afforestation and to expand the plant to a large industrial complex, comprising [illegible] pulpmills, two sawmills, [illegible] paper machines and [illegible] plymill.

The impact report prepared by the consortium did not provide sufficient information on the possible expansion. The commission considered, but the audit said it would "change the existing pattern of economic activity and foreclose a number of regional options".

The possible options in the area "needed to be addressed within a framework which allowed for public participation before a decision on the [illegible] mill was made.

However, in the view of the Cabinet Economic Committee the audit raised issues which "lay outside the commissioner's terms of reference — for example, policy and economic questions".

An inter-departmental interim report was undertaken to evaluate and propose changes in the commissioner's role in evaluating major projects pending the OECD review.

Disagreeing with the commissioner, the other officials expressed the view that terms of reference of the audit should be the same as the impact report and those terms should be a matter for Government to decide.

"Since the audit procedure was established by a Cabinet decision it is argued that the content of audits can also be governed by Government decision", the report says.

The impact report should, according to the officials, describe the environment, the project and the impact. Where the proponent wishes to cover social or policy impacts these "could be covered separately and not be subject to audit".

The commissioner considers the content of the audit should not be confined by the terms of reference of the impact report.

Employment

Unemployment report runs into heavy flak

by Ann Taylor

A REPORT which questions evaluations of and assumptions about unemployment in a sociological context has been sharply criticised by Treasury and the Institute of Economic Research.

Link Consultants has been specifically hired to prepare a "scenario" of the unemployment situation for Labour Minister Jim Bolger and "the man in the street". A report prepared by the National Research Advisory Council, completed in April last year and subject to various organisations' scrutiny, might see the light of day at the same time.

The original NRAC report set out to find if the knowledge necessary for making sound policy decisions was extensive and accurate enough. The inter-disciplinary committee of six found that the statistical base on which decisions are continually being made "is both flawed and incomplete".

The report attempted to go beyond the narrow definition of unemployment as an economic ill to see it in a broader perspective and the committee found itself asking what is known about the extent, causes and consequences of unemployment and suggesting cures.

It recognised that the true number of unemployed goes as high as 150,000, "with no indication that it will diminish in the immediate future."

The report — which allows itself the liberty of emotive language — acknowledges the "insights given us in to the real and ugly face of unemployment by those who were themselves unemployed".

It says unemployment is wasteful, costly, unjust, divisive, economically hazardous and threatens our national identity . . . strong stuff, but factors which must be considered in attempting a resolution of the problem.

The politically unpalatable report does lay itself open to criticism. As one commentator put it: "If it was handed to me as a PhD thesis I'd think twice about it."

But its value lies in its examination of social ills consequent on unemployment.

The report does not work from the assumption apparent in the Planning Council's Employment, that the causes of unemployment lie in the deficiencies of the unemployed — lack of information, motivation or skill.

It says the causes of unemployment reside in the institutions and structures of society and not in the inadequacies of individuals who find themselves out of work.

The report questions whether an influx of foreign capital and technology will reduce unemployment. While the Government's stated policy favours full employment, the restructuring necessary for growth and development has had the unfortunate side-effect of creating redundancies.

"In other words, in the trade-off between one set of departmental priorities and others the casualty is unemployment," it says.

The initial report prepared by the working party, set up by the social science committee of NRAC was distributed last year to a number of organisations for criticism.

It does go beyond its terms of reference by examining the sociological issues, and not unexpectedly drew sharp criticism from the Treasury, "primarily on the grounds of lack of balance and the absence of supporting analysis".

Treasury says the report draws the conventional associations with hardship, crime and social unrest but does not examine the bases for such associations. Treasury argues that the long run-relationship between output and employment is very strong and points to the price of labour as an important factor which the report did not take into account.

Kerry McDonald, in his criticism for the Institute for Economic Research, says "the NRAC approach . . . strikes me as *ad hoc* and unsystematic and reflects the inappropriate criteria that has generally been used in the past to allocate research funds."

McDonald describes the report as "generally vague, imprecise, superficial and subjective". He expresses concern that "resources should have been substantially wasted" and says that the institute "has skills and experience that could make a productive contribution".

The Employers' Federation laments the lack of representatives from the production sectors off the economy and says "it gives us no joy at all to see the acceptance of a 'free market philosophy' questioned, or the 300,000 unemployment bogey floated again."

The Statistics and Education Departments, Commission for the Future, and the Federation of Labour support the main thrust and broad approach of the report.

The central recommendation for research was for provision to be made for "an employment/unemployment research co-ordinating body that is wide-ranging and reflects the diversity of public and private sector interests".

The recommendation was supported by the Planning Council, and subject to detailed definition by the FOL, the Commission for the Future, and the Education Department.

The Labour Department, Treasury, National Council of Women, Employers Federation and the Insttitute of Economic research do not comment on the recommendation.